

CREDIT

and FINANCIAL MANAGEMENT

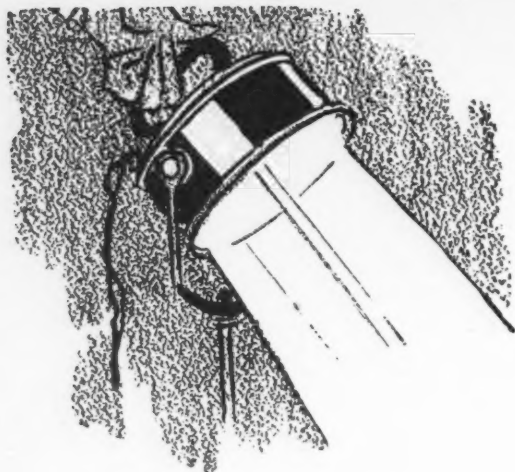
Vol. 35, No. 6

JUNE, 1933

Established 1898

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| PROFITS FIRST | DAVID A. WEIR |
| "THAT COLUMBIA CROWD" | CHESTER H. McCALL |
| THE FORGOTTEN CREDITOR | ERNEST I. KILCUP |
| LEGAL RESERVES FOR INDUSTRY | RICHARD M. LAMBERT |
| 58th ANNUAL CONVENTION—MILWAUKEE—JUNE 19 to 23 | |





IN THE SPOTLIGHT

Credit has been complicated by many new factors developed during the past few years. One of these is the increased number of business failures.

To meet changing conditions many concerns have found it necessary to revise their existing credit policies. One thing of paramount importance today is the requirement of complete and more current information on customers.

Previous sources of information which, in the past, seemed adequate to the need are being supplemented today by the use of proved sources of credit information. Business has shown a decided tendency to seek more reliable credit information of the type furnished by recognized bureaus which are capably manned and do business on a nation-wide basis.

Naturally enough during the present economic crisis collections have been a particularly aggravated trouble point. In a sense collections are the off-spring of credit. With the more alert use of credit information it is reasonable to suppose that credit passed will cause less collection grief.

The concern which recognizes, changing conditions constantly, even daily, and is ready to meet them with predetermined credit policies finds itself soundly entrenched and ready to progress conservatively with the business up-turn.



The nation-wide facilities of The Hooper-Holmes Bureau are devoted to the compiling of Moral Hazard Inspection Reports for insurance underwriting, credit, commercial and employment purposes and Claim Reports. Address inquiries to 102 Maiden Lane, N. Y.

CREDIT



THE HOOPER-HOLMES BUREAU, Inc.



CREDIT AND FINANCIAL MANAGEMENT is owned and published on the fifth of every month by the National Association of Credit Men, One Park Ave., N. Y. Executive Manager, Henry H. Heimann, One Park Ave., N. Y., Secretary and Treasurer, Henry H. Heimann, One Park Ave., N. Y. Subscription price \$3.00 a year, 25 cents a copy. Canada, \$3.50. All other countries \$4.00 postpaid. Entered as second-class matter April 3, 1927, at the Post Office at New York, N. Y., U. S. A., under the act of March 3, 1897. Copyright, 1933, National Association of Credit Men. The N.A.C.M. is responsible only for official Association statements and announcements printed herein Credit and Financial Management is indexed in the industrial Arts Index of the H. W. Wilson Co. and is a member of the audit Bureau of Circulation. Volume XXXV, No. 6.

First Principles In Credit Service

No. 3

Does credit cost too much?

Here are some figures covering an average year of credit business—

| | |
|--------------------------------------------|--------------------|
| Amount spent for credit information | \$ 60,000,000.00 |
| Amount paid collection mediums | 125,000,000.00 |
| Cost of operating credit departments | 250,000,000.00 |
| Annual bad debt loss | 1,000,000,000.00 |
| <hr/> | |
| Total annual cost of credit. | \$1,435,000,000.00 |

If the net profit on all business were 5%, it would require all the profit from \$28,700,000,-000.00 of sales to cover the present annual cost of credit—and the figures used above are conservative to the point of inaccuracy.

Credit executives rank high in the field of business. The present cost of credit is not due to lack of experience, ability, judgment, or other essential qualifications on their part. All of the losses and troubles of the credit execu-

tive have their origin in faulty and incomplete credit information.

If he lacks complete, accurate, up-to-date facts, the credit executive is under an insurmountable handicap in the handling of a credit problem. His judgment can be no better than the information on which it is based.

It is not mere theory, but a demonstrable fact based on actual figures, that the present cost of credit to wholesale business can easily be reduced by more than one-half, but these savings must begin with the amount spent for credit information.

Credit executives must have better credit information for less money. They cannot afford to buy every manner of credit service now being presented to them in all manners and varieties of forms.

They must determine for themselves what they need and then decide how and where to get it. A careful analysis of this problem will automatically indicate to them that what is needed is intelligent, effective and complete co-operation, not between individual creditors or groups of creditors, but between all creditors.

Credit Interchange Bureaus
National Association of Credit Men



Photo, courtesy Nash Motor Co.

What of YOUR future?

HOW well are you prepared to master the rapidly changing requirements placed upon to-day's credit executives?

The day is gone when you could count on success simply by doing your work well. If you would forge ahead in the face of to-day's increasing demands and relentless pressure—in credit as in every phase of business—you must make yourself not merely useful but **INDISPENSABLE**.

Your first step toward this goal is to master the *fundamentals* of your profession. Since a credit basis underlies nearly every business transaction, a training in credit is dominantly essential to every progressive business career.

With these facts in mind, the National Institute of Credit has prepared a practical course in credits and collections designed to give you the greatest amount of credit training in the shortest time possible.

Make your start while the time is ripe—prepare yourself for the far-reaching changes now taking place in the commercial scheme of things. Clip the coupon and mail it to-day!

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NATIONAL INSTITUTE OF CREDIT

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Looking ahead

An analysis of credit in this modern age—its complexities, its problems, and its abuses—will feature our July issue. This article comes from the pen of Henry H. Heimann, the N. A. C. M.'s Executive Manager. Another article on the same subject will analyze consumer credit and the role of personal finance companies.

Our cover

"Partners"—that's the appellation accorded the new relationship between industry and government. It is visualized in the camera study by Paul Haase from The Old Masters' Studio, N. Y.

CREDIT

and FINANCIAL MANAGEMENT

CHESTER H. McCALL

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Volume

XXXV

Number 6

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Official Publication, National Association of Credit Men, One Park Avenue, New York, N. Y.

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THE INTERNATIONAL SYSTEM

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All America
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Which way world?

The eyes of America are now turning toward two great events—Chicago's Century of Progress and the World Economic Conference convening in mid-June in London. The great Chicago exposition will be a graphic testimony of man's vast progress in science and invention.

It is cruel irony that this great fair should take place at a time when the world is struggling valiantly to find a solution to its gigantic economic problems. The world today faces one of the gravest challenges in its economic history. How hopeful can we be that the London Conference will meet this challenge and find the great answer?

It is conservatively estimated that the world has over thirty million unemployed workers. This estimate does not include the workers' families and dependents. Wholesale commodity prices, expressed in gold, have declined more than one-third; and raw material prices from fifty to sixty per cent. Last December the price of wheat in Winnipeg had fallen to the lowest level recorded in any primary wheat market for over four centuries. Industrial production throughout the world has fallen to its lowest depths. At the end of 1932 the United States steel industry was operating at only ten per cent. capacity. National incomes in most of our leading countries have been cut by almost forty per cent. The total value of world trade in the last quarter of 1932 was one-third less than for the last quarter in 1929.

At the same time we have had a vast accumulation of stocks of all kinds. The world's stock inventory for 1932 was double that of 1925. This huge accumulation of surpluses has been a colossal barrier to the process of orderly price adjustments. Revenues of all governments have declined seriously while expenditures have shown no corresponding decline. National and international debts have increased accordingly, resulting in violent currency disorders.

The world's problem is one of immediate readjustment and reconstruction followed by organized and systematic stabilization. That, briefly, is what the World Economic Conference is convening to do. The Conference has set for itself the accomplishment of four major objectives: 1. The restoration of an effective international monetary standard and system. 2. Arresting the fall of international commodity prices and devising means to restore and maintain commodity prices at their proper level. 3. The readjustment of exchange restrictions and an agreement upon a sound international exchange system. 4. Reopening the channels of international trade and facilitating future world transactions.

It hardly seems possible that world economic thought and unselfishness has advanced far enough to guarantee an accomplishment of all or even part of these objectives. These objectives are so inclusive that they demand almost unanimous agreement among all of the leading countries to assure any meas-

ure of success. Today we find almost every country trying to increase its exports and reduce its imports. If the Conference is to succeed there must be a drastic right-about-face in trade policies.

Tariffs stand out as one of the most difficult problems to solve. A "most favored nation policy" must be amended to include all nations. Primarily, our tariff has been intended to protect our higher standard of living against the lower standards of living of other countries. It is patently clear that the United States must be willing to give and take if there is to be any substantial international tariff amity. The question in many people's minds is whether we shall have to give more than we can possibly hope to get. This same question applies just as appropriately to other major considerations that will come before the Conference. Many leaders in many lands are proposing bimetallism. This can succeed only if all the principal nations accept the same fixed ratio between gold and silver.

The tasks facing the World Economic Conference seem to the average person almost impossible of accomplishment. Nationalism is running higher in all nations today than ever before. International suspicion and retaliatory measures have dominated the world scene for over a year. Yet arbitratative wisdom is absolutely essential to the success of the Conference. International debts, both public and private, further complicate the proceedings. Any sudden withdrawal of loans by a creditor nation would easily throw the entire international economic machine out of balance and lead to a prolongation of difficulties.

But in the face of these seemingly insurmountable obstacles there is one real hope, one real promise of success. Agreements can be reached and the established objectives can be accomplished *by degrees and progressively cumulative action*. A readjustment of tariffs, for example, cannot take place in a short period of time. It must be over a period of two or three or more years. Immediate revision of exchange restrictions would penalize some countries severely and profit others greatly. The stabilizing of commodity prices is again a two or three year job. Present world chaos is the result of fifteen years of cumulative evils and events. Our way out, like our way in, must be gradual and cumulative. Nations will have to pursue the "give and take policy" but they must do it by degrees and without sacrificing or gaining too much within a short period of time.

The one accomplishment we can hope for from the World Economic Conference is a program, acceptable to all nations, that will gradually raise the standard of living throughout the world. Such a program will inspire confidence and good-will and by degrees facilitate the eventual restoration of order and happiness to a sick world. If this is accomplished it will be a greater achievement than all of the wonders of science and invention displayed proudly at the Century of Progress.

Chester H. McCall

The business

a compilation of business and

Straws in the wind

Blow hot, blow cold—the following straws indicate the strength and direction of the trade winds in recent weeks:

BUILDING CONSTRUCTION: Building operations, including operations and repairs, increased 21.2 per cent throughout the United States during April, to \$29,756,038 in estimated costs, the Bureau of Labor Statistics reported. This was the largest increase from March to April since 1929, that in 1930 being 11.1 per cent, in 1931, 6.2 per cent, and 1932, 19.3 per cent.

BUSINESS FAILURES: Business failures during the week ended May 11 declined to 437, against 460 in the preceding week and 662 last year, Dun & Bradstreet, Inc., report.

CAR LOADINGS: Loadings of revenue freight for the week ended on May 13 made a total of 531,095 cars, the American Railway Association announced. This was 7,276 cars, or 1.4 per cent, more than for the preceding week and 13,835 cars, or 2.7 per cent, more than for the corresponding week last year, but 215,962 cars, or 28.9 per cent, fewer than in the corresponding week two years ago.

EMPLOYMENT: Employment among manufacturing industries increased 1.6 per cent in April over the low level of the preceding month caused by the banking holiday, and payroll totals advanced 4.5 per cent in the same period, according to the monthly figures of the Bureau of Labor Statistics. Employment and payrolls were below the corresponding month last year, 10 and 21.9 per cent, respectively.

FOREIGN TRADE: Foreign trade of the United States during April showed a substantial recession after making a moderate gain during March, the Department of Commerce reported. Exports for the month totaled \$105,000,000 against \$108,031,000 in March and \$135,095,000 in April, 1932, while imports dropped to \$88,000,000 compared with \$94,859,000 in March and \$126,522,000 last year.

POWER: Electric power production of the country in the week ended May 13 continued its impressive improvement, both in respect to total output and in comparison with the performance of a year ago. Output for the week exceeded that of 1932 by 2.2 per cent, marking the second successive week that production has run ahead of that of a year ago, the first time such a favorable result has been achieved since 1930.

PRICES: Wholesale commodity prices increased three-tenths of 1 per cent in April over the preceding month, marking the second successive advance in recent months and the first increase in the period from March to April since 1928, the Bureau of Labor Statistics announced. Prices were still $7\frac{3}{4}$ per cent below the level of the corresponding month of last year. Wholesale prices of commodities in the week ended May 13 advanced about 0.6 per cent, compared with the previous week.

STEEL: Notwithstanding the fact that the upward swing of iron and steel demand has lost some of its earlier force, the national average of ingot output stands around 40 per cent of the country's capacity, compared with 19 per cent a month ago.

SUMMARY: The last month has witnessed the most impressive advances in business activity and in price levels since the beginning of the depression, says the Guaranty Trust Company, in its review of business and financial conditions in the United States and abroad.

"Thus far, the clearest evidences of recovery are largely confined to the heavy industries and the security and basic commodity markets," the survey states. "But scattered reports indicate that constructive influences have also been felt in other branches of business where comprehensive statistical information does not become available so promptly as in the lines just mentioned. Particularly encouraging are the numerous instances of increased employment and higher wage rates that have been reported from all parts of the country."

It is no more possible to have an exact working out of the principles of equity in a world of fluctuating currency ratios than it is possible to have a static society, declares the Wall Street correspondent of the *Christian Science Monitor*. Almost from time immemorial the rubber dollar or the rubber pound, franc or mark has worked hardship on large sections of population which have been utterly unable to protect themselves from the inescapable consequences of a unit of currency which stretched outrageously in some years and compressed uncomfortably in others. Inflation has followed deflation, with the former taking away from creditors and the latter extracting toll from hard-pressed debtors. One London editor puts inflation as a "polite form of spoliation," but the definition can as readily apply to deflation. The former is unjust to owners of fixed-income bearing securities, such as bonds, mortgages and preferred stocks, as well as to savings bank depositors, insurance policyholders, pensioners and those who lend money and is directly kind to those who owe money, to owners of all kinds of property and indirectly to farmers. Deflation is unjust to debtors and irrationally kind to those with fixed incomes and money lenders.

Since there are always more debtors than creditors, naturally inflation is more popular than deflation. Besides creditors recover more readily, while debtors' margins are usually so thin that a protracted adverse period may wipe them out. If it be argued that either of these forms of legalized and unintentional theft—inflation and deflation—are correctives of each other, there can be little quibble with the assertion that stability of the purchasing power of the monetary unit is the goal for which to strive.

A dollar which buys one bushel of wheat at one period should not be able to buy two bushels at another, for this penalizes honest labor and puts a premium on fortuitousness. It is possible that a measure of stability may be attained by pegging the dollar, pound and franc at some fixed points near present

thermometer:

financial trends and indications

levels, as a first step, but there still are students who look longingly for a measure of values based on a commodity price index.

Due to the swift march of events it is impossible for the layman to keep up with the flood of proposals that have poured in on Congress and appeared in print designed to bring back prosperity. Solutions of inflationary character are legion, and it is only due to the extreme depth of the present slump that so many of them have been considered seriously. If he who sedulously reads the newspapers were disposed to look back in the history books, he would find that the same kind of proposals vouched for a cure-all were printed in the records for the depression periods of 1873 and 1893.

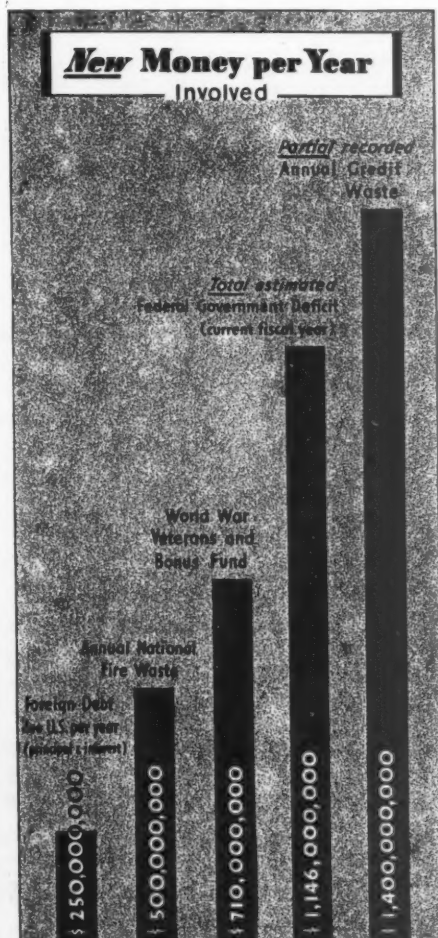
That practically all of these "remedies" found the waste-paper basket is due to the innate conservatism of the American people that eventually finds expression in legislative enactment. It is entirely possible that when the present ebullition of schemes has settled down to a calmer consideration of something not of the "boot-strap" lifting variety, we may find the ship of state carrying on under a sound money plan that distributes the necessary sacrifices as equitably as possible and points to adequate purchasing power for the largest number of people.

Some plans have all the earmarks of plausibility as well as the weight of opinion that goes with statements from prominent economic counselors. The latest addition to the panaceas going into the hopper comes from the pen of Thomas Nixon Carver, political economist, who occupies a professorial chair at Harvard.

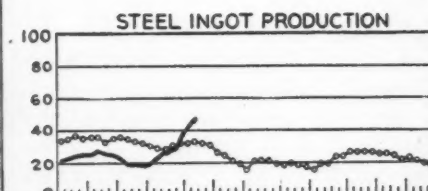
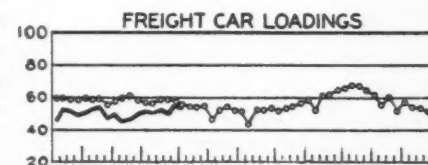
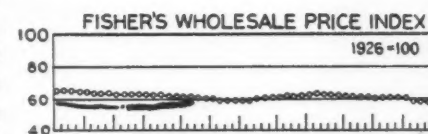
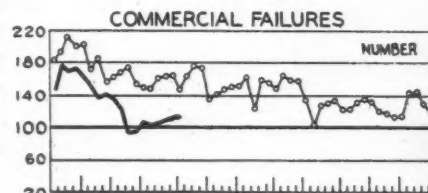
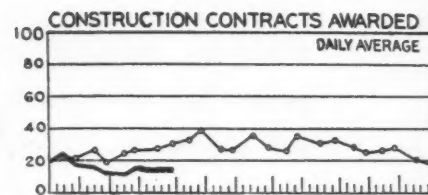
His diagnosis of the cause of the depression derives from an analysis of the cause of the boom that preceded it. Too much credit, begun in the war period and continued through to 1928, brought about ill-considered inflation swollen to the bursting point. Then, says the professor, the American people were not taxed enough which made possible excessive spending, and this in turn re-

sulted in too great an expansion in productive capacity. Now credit should again be used in greater quantity, but it won't expand until people think their money safe, and so the Harvard salon says flatly—let's have a government guarantee of bank deposits.

That will bring back confidence. Then, to raise commodity prices he would subsidize gold productions. A few more million ounces of gold, he avers, would be worth billions to the world at large and raise the general price level. However, he doesn't point out where there are any more new gold fields or tell whether the mines now producing the precious metal can increase their production. Besides what appears to be needed today is some immediate and not a remote remedy.

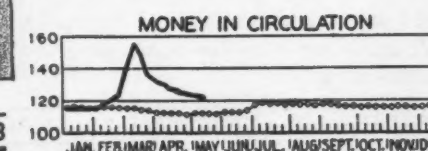
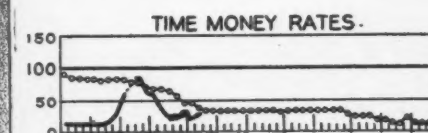
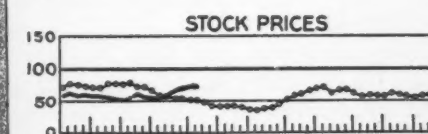
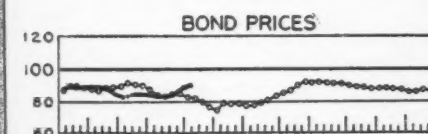


Commercial



Dep't. of Commerce Charts, 1923-25 = 100

Financial



The forgotten creditor

Unless creditor interests are adequately protected, the volume of credit in commerce will surely be largely contracted . . . "We are the builders. By our work we shall be known and upon it, judged."

by ERNEST I. KILCUP, Secretary, Davol Rubber Co., Providence, R. I.

It is so rare an occasion when the front pages of the newspapers all over the country give space to proposed bankruptcy legislation, that it becomes immediately evident, if that does happen, that a situation of serious import exists which should challenge the attention and scrutiny of every business man. Bankruptcy as a topic has had a great deal of newspaper publicity for a rather long period of time, but as a topic related to legislative activities, it has been featured in a noticeable way for something over a year.

On February 29, 1932, President Hoover urged upon the Congress immediate revision of the bankruptcy laws along lines advocated by the Solicitor General. Nothing was done, however, and again the President addressed the Congress on January 11, of this year.

His recommendations this last time were particularly specific. His request was for relief for debtors, individual and corporate, without adjudication; for railroads he urged bankruptcy procedure as distinguished from the expensive receivership system then the only recourse in law.

Now, without at this time referring further to the flood of bills that followed, let us cast back over the previous period of some few years to ascertain what led to the administration recommendations.

There probably has been no time since the enactment of the original Federal Bankruptcy Act when it has not been the target of much criticism and various amendments have been proposed or enacted. But not until the revelations of the unsavory conditions existing in the Southern District of New York which were paralleled in some measure in a number of other districts, was the business public opinion crystallized on the desirability of sweeping changes either in the law or the administration of it.

The opening gun in the battle for improvement was fired by the appointment of a Trust Company as official receiver and the country was agog at such an unprecedented and unorthodox procedure by Federal Judges. Various interests throughout the land who foresaw that their selfish aims might be jeopardized by the growth of this idea and others who could not believe that it was a procedure generally to be approved, immediately challenged the move and much dire prophesy was indulged in, but the Trust Company still carries on. Mind you, I hold no brief pro or con but merely cite the incident.

Coupled with a situation where administrative procedure was faulty and wasteful of estates, we then had the alarming increase of liquidations due to the depression. It was evident that creditors were due to suffer terrific losses and anything which could be done to reduce those losses was highly desirable and necessary.

The ball was originally set rolling when the bar associations of New York undertook what we call the Donovan investigation, generously supported by the New York Credit Men's Association in financial and other ways. This investigation studied the conditions in New York and resulted in the disclosures to which I have already referred.

When Judge Thacher, who presided over that investigation, became Solicitor General of the United States, he wanted to learn what conditions were throughout the country. Having become intimate with the Credit Men's Association through the Donovan work, he asked the National Association of Credit Men to support his suggestion to President Hoover that a nation wide investigation be conducted. With the support and cooperation of various other associations administrative approval was se-

cured and the investigation was started with Mr. L. K. Garrison in charge.

Eventually, there emerged from all this activity the Attorney General's report on Bankruptcy, not by the way, accepted without limitations by these associations, and this was followed by the introduction of a full bill into Congress, known as the Hastings bill.

The Hastings bill retained most of the features of the then existing law, added others deemed by the Attorney General's department to be highly desirable, and included clauses intended to refine administrative provisions of the law. It has the disadvantage, however, of being what might be called an omnibus bill, that is its range was exceedingly broad and covered so completely the ideas of many that naturally it invited argument and this deterred it from passing.

The improbability of its enactment was discerned soon after its introduction and this encouraged those organizations unselfishly interested in improving conditions to give continual study to what could be hoped for and again representatives of those groups sat in conference. With some of their recommendations, I shall acquaint you later.

In the meantime, economic conditions grew steadily worse, bankruptcies increased and it was manifest that many more were to be expected. Tremendous bond issues were nearing maturity with little discernible opportunity to avoid default, and crashes were feared which would have alarming repercussions.

It was then that the Congress was approached for legislation providing relief from the tragic possibilities not only where corporations were concerned but also for individuals and railroads. This very approach, however, gave the opportunists their chance to introduce pet bills and so we had the situation where Congress was faced not only with emergency legislation highly to be desired, but also other, much to be studied and weighed.

The next important bill to be introduced was that known as H.R. 14359, bearing the indorsement of Representative Summers. The stated purpose of this bill was to reduce expense and delay in administration and to promote amicable debtor-creditor adjustments.

It featured a chapter new to the law providing for compositions and extensions and corporate reorganizations without adjudication and reorganization of railroads in bankruptcy. There were, however, distinctions between its pro-

visions and those of the Hastings bill, among which was a permissive clause providing for a referee in each county where business and conditions permit.

Reflect a moment, please, upon the fact that there are 3,072 counties in the country and you will realize the possibilities. We have now approximately 500 referees and any substantial increase in their number would complicate administration and set up undesirable practices.

The Congress eventually did pass a modified bill, as you know, granting relief avenues to individuals, to farmers and to railroads, and now has pending further bills relating to corporate reorganizations and relief, as well as acts designed to grant relief to municipalities.

To these latter proposals reference should be made.

It is well known that we have many cities large and small, which are in perilous financial condition. For the most part, these situations are due to extravagance in assuming funded debt without recognition of painful days of reckoning. And now with tax difficulties, their bonds and notes are either in default or threatened by it. They gave little thought during lush periods to the reduction of public debt or other measures insuring their financial stability under adverse circumstances.

Understand, please, I say some of them—not all. I have no desire to present highly prejudicial statements.

It has been the consensus of opinion of the various associations studying these proposals that federal intervention in municipal debt situations is not well advised at this time.

Space does not permit the many detailed allusions which could be made to all of the proposed legislation nor am I disposed needlessly to burden you with a vast amount of argument.

What I do want to impress upon you, however, is this significant fact—the greater part of the legislation urged has tended to give larger recognition to the debtor class without increasing provisions effecting a larger conservation of creditors' interests.

It is my purpose, accordingly, to urge upon all the necessity for concerted action by business men towards effectuating legislation refinements assuring equitable results for all concerned.

After all is said and done, it is not the creation of credit which measures national safety and prosperity so much as the redemption of that credit at the



Cartoon from "Lost in the Bungle" by E. M. Otterbourg. (Country Life Press, N. Y.)

proper time and in a proper manner. On the other hand, unless it is possible for credit to issue fairly freely we shall be impotent in any attempt to conduct business in the way and in the volume necessary to our national welfare. Obviously, unless creditor interests are adequately protected, the volume of credit in commerce will surely be largely contracted.

Therefore, let me ask your consideration of these suggestions:—

1. Bankruptcy administration should be conducted with a greater watchfulness to prevent fraud by bankrupts and to reduce waste.
2. Discharges should not be regarded as a natural course in procedure but rather as a relief to be earned by the debtor and stricter provisions should be established.
3. In cases of proved fraud by bankrupts stern penalties should be invoked.
4. In cases of proved repeated criminal action, increasingly severe penalties

should be mandatory.

You may wonder why I lay so much emphasis upon fraud in these suggestions, so I explain by alluding to a long experience in the work of investigating and prosecuting commercial fraud in bankruptcy by the National Association of Credit Men. Our association over a period of several years expended a fund of several millions of dollars subscribed by business houses and banks in investigating complaints of alleged fraud and secured an amazing number of indictments and convictions.

Today there are many offenders lodged in Federal prisons who were convicted of conspiracy to conceal assets or upon other fraud counts. Unfortunately, however, much of our efforts to secure adequate penalties for crimes committed were aborted by lack of uniformity of judicial opinion as to the punishment to be meted out and the further fact that no predetermined penalties were established. (Cont. on page 34)

"Alice replied: 'That's a funny ball. It seems much smaller now that they are coming closer.'"

"'That's not a ball,' said the little white rabbit, 'that's an estate ball, and naturally, it is shrinking from all this publicity.'"

"'Well,' said Alice, 'even so, it ought to look larger when it gets closer.'"

"'No,' replied the rabbit, 'the closer you look, the smaller it is—ask any creditor.'"

Profits first!

■ No policy, plan, or system, not predicated upon profitable operation can have any real possibility of success. Profits and progress are business synonyms.

by DAVID A. WEIR, Assistant Executive Manager, N. A. C. M.



CA prominent man, who is not radical in his views, recently broadcast the statement that the time would soon come when the idea of economic desirability would be subordinated to the greater question of social desirability in determining our business policies. As a matter of theory, this statement sounds plausible. As a practical statement of what is likely to happen, it leaves much to be desired; for most of our social advancement has followed economic advancement, and there is no reason to believe that the order is likely to be changed regardless of any academic discussions as to whether or not it should be changed.

Whether or not we like to admit it, most of our important changes in policies or methods are actuated by economic considerations as the strongest factor. From a practical viewpoint "profits first" is and will continue to be a business axiom. It should be apparent that, barring the early coming of the millenium, business progress must depend upon the ability to make profits. It should also be evident that in no other way, unless we want to give up private ownership entirely, can there be any assurance of material human welfare being maintained.

This by no means implies that the profit idea should be followed to the exclusion of all other interests. To do that would not only be bad ethics but bad business as well. Rather than being in opposition to the welfare of the wage earner and the salary earner the making of profits by business organizations is the only basis upon which the prosperity of these groups can possibly rest. This

statement assumes, of course, that there will be a fair distribution of income among those who are an integral part of our economic organization.

There is at times a tendency to talk in a rather vapid and falsely sentimental way about business as a service rendering agency. Paralleling this, we find periodic recurrences of the idea that in some way or other the making of profits should be held up to scorn as an unholy and unrighteous thing.

Business must be service rendering, of course. Otherwise it is not likely to be good business. But until the aforementioned millenium arrives, the incentive of reasonable opportunity for profits is essential to attract the investment dollar, secure the services of competent management and labor, and provide jobs for those who are desirous of maintaining and advancing their standards of living.

Under present conditions of rather hectic uncertainty, there is some danger of losing sight of the "profits first" idea. In losing sight of this idea there is also some danger of losing sight of the need for sound business policies and practices as the fundamental bases of improvement. The popular thing today is to talk of wage scales, hours and conditions of labor, and other questions of that kind, as though it were possible to divorce such proposals from the question of the ability to make profits through business operation.

We need have no quarrel with the sponsors of such movements and certainly no quarrel with the aim of securing social advancement. The danger comes in wrong emphasis and in

failing to see that over a period of time any advancement which may come through these measures must be supported by the ability of business to make money under the changed conditions. While that may seem to be the cold-blooded attitude to take towards reform movements, it is the only sane view to take; for it is the only practical way of putting stability and permanency into the reforming of conditions.

Along with the tendency to emphasize social reform as something which may be attained with little or no relationship to business profits, there is the further tendency to emphasize the importance of systems as a means of bringing about both economic and social improvement. In present day discussions of the probable future of business, we hear much of money systems, banking systems, agricultural systems, wage systems, and a host of others. The emphasis on the relationship which these things bear to business advancement is worthy of serious consideration; but here again it is desirable to place emphasis properly. No system, however meritorious it may be, will in itself bring prosperity or be even the major factor in improving conditions. The system at best can be nothing more than the arena in which business operates. The actual playing of the game within that arena is the more vital thing in securing business and general welfare.

It is important, therefore, that in our zeal for legislation, classed as humanitarianism, we should not ignore the only source from which those wages can possibly come. It is important, too, that in our zeal for improved systems we should not overlook the necessity for sound business principles and practices.



■ Robinson Crusoe discovers he is not alone on the island, "Ding" emphasizes in the New York Herald-Tribune.

Our major considerations in charting our programs for the future should be the two which follow, placed not necessarily in the order of importance, but placed in the only sequence which can logically be followed; for the possibility of securing the second of these objectives must rest largely upon whether the first is attained. These two are, first, the making of business profitable, and, second, a fair and wise distribution of business profits. In attaining this first objective there are at least four major lines of procedure which need to be followed:

1. Provisions for needed restrictions on production under reasonable control is necessary, not only for business welfare but in the interests of the general public. Some commendable steps in that direction are already being taken by the government. We have learned during the trials of the last four years that it is unsound public policy to restrict industry in such a way as to make overproduction almost a certainty.

2. Assuming the decrease in governmental restriction, there must be a more

far-sighted and less greedy, cooperative spirit among business organizations. This will necessarily involve at times some seeming restraint on trade. It follows naturally, therefore, that there may be abuse of new privileges which government permits to business. If business does abuse those privileges to any considerable extent, the next step after such abuse will probably be a more rigid governmental supervision than there has ever been.

3. This more cooperative attitude in business need not and should not imply a decreased recognition of the importance of such traits as initiative, keenness and aggressiveness in the management of individual businesses. Those and other similar traits have in the final analysis been largely responsible for business progress in the past and will be just as responsible for business progress in the future. In our zeal for adequate business systems, we must not overlook these traits.

4. Greater emphasis must be placed

upon a more adequate distribution of both income and goods. These two are to some extent co-related. A fair distribution of business income will in itself lead to a wider market for distribution of commodities; for, without minimizing the tremendous importance of our foreign trade, the best market for our goods will continue to be among those in this country who are at the same time laborers in producing, and consumers of those things which are produced. Aside from the social desirability of payment of fair wages, our economic prosperity must depend upon such payment.

This question of conserving and building our domestic market as it applies to the wage earner and salary earner is not, however, entirely one of the amount of wages or salaries paid. One of the things which has been detrimental to a continuity of business prosperity has been the vogue for high-pressure methods of former years in making sales both to the consumer and to the retail merchant. Instalment selling of goods, for example, is not an evil in itself and there is much to be said in its favor; it may become an evil when, through high-pressure salesmanship, men are encouraged to buy excessively, thus discounting their future incomes to a degree which is detrimental not only to the buyers but ultimately to the sellers of commodities. The problem of distribution is not therefore entirely one of increasing sales. It is also a matter of spreading sales more evenly over a longer period of time, taking as the important index of progress sales volume and the amount of goods paid for over the longer period. Thus business can advance steadily rather than by those leaps forward which are invariably counteracted by falls backward.

It is unthinkable that our final solution to the problem of periodically recurring depressions should be the restriction of production. Such restrictions become necessary as emergency measures and as safety valves when there is danger of inflated production blowing up the boilers of trade. To admit, however, that restriction on production is the permanent solution is to admit abject failure to provide a distributive system which is in any sense comparable to our production system. Improved productive methods, greater efficiency in operation and management, and other factors which decrease production costs, will automatically increase the number (Continued on p. 26)

Circulating credit creates commerce

■ A novel test of the extent of money circulation is being prepared for convention delegates' participation. Cooperate by using convention dollars.

THE fundamental theme of the Milwaukee Convention, and the keynote of Executive Manager Henry H. Heimann's address, will be "Circulating credit creates commerce." As a supplement to this slogan the credit men from the entire nation will join in a search to trace the mysterious circulation of money spent during the 38th annual convention of the National Association of Credit Men from June 19 to 23.

An ingenious device in the form of a "convention dollar" has been designed by the convention bureau of the Milwaukee Association of Commerce to conduct this survey. "Convention dollars" are regular U. S. government dollar bills enclosed in cellophane envelopes. Attached to the envelopes are self addressed cards, returnable to the convention bureau, on which each spender will sign his name and the article purchased. Space is allotted on these cards for five exchanges. The last spender merely tears the cellophane from the card and drops the card in any mailbox.

A member of the association attending the convention will exchange his own money for convention dollars and spend them while he is in Milwaukee. These dollars placed into circulation by convention visitors will then take up their travels through the regular channels of trade and register their own autobiography as they flow along.

This idea was used only once before and that time at a state convention held in Milwaukee in February. This money brought into a community by convention visitors passed from hand to hand creating purchasing power, enlivening the channels of business and adding to the wealth of the city. It represented actual new money to the city; money directly traceable to the fact that a convention had been held in Milwaukee.

Approximately twenty per cent of the dollars circulated at that time were accounted for in the returns to the convention bureau. It is estimated that

the unreturned cards were taken from the city as souvenirs or were discarded by persons who did not cooperate with the idea.

The following tabulation shows the original purchases and the succeeding exchanges recorded on 400 "convention dollar" cards returned to the bureau:

| | |
|----------------------------------|-----|
| Salary | 300 |
| Banquet, Dinners, Lunches | 258 |
| Rent | 136 |
| Groceries | 109 |
| Merchandise | 78 |
| Hotel Bills | 45 |
| Bank Deposits | 38 |
| Board | 35 |
| Gasoline and Oil | 35 |
| Meats | 34 |
| Fuel and Coal Bills | 31 |
| Electric Bills | 29 |
| Cigars and Cigarettes | 24 |
| Candies, Ice Cream, Refreshments | 20 |
| Street Cars, Taxis, Buses | 18 |
| Debts, Loans, Tuition | 18 |
| Furniture and Hardware | 18 |
| Service, Tips, etc. | 17 |
| Miscellaneous | 17 |
| Dental and Medical Bills | 15 |
| Insurance | 15 |
| Theaters and Amusements | 15 |
| Barber Shops and Beauty Parlors | 14 |
| Drugs and Medicines | 13 |
| Water and Gas Bills | 10 |
| Donations and Dues | 10 |
| Bakers | 9 |
| Flowers and Jewelry | 9 |
| Shoes | 9 |
| Garage Bills | 8 |
| Tailors, Cleaners, Laundries | 8 |
| Telephone Bills | 6 |
| Radio Tubes and Accessories | 5 |
| Shoe Shines and Repairs | 5 |
| Railway and Boat Tickets | 5 |
| Interest on Notes | 5 |
| Automobile Payments | 4 |
| Live Stock | 1 |

These figures show that many types of businesses benefit either directly or indirectly from conventions. Convention visitor's money does not wait for sale days or any mark-down days; it is

A CONVENTION DOLLAR

THIS is one of Five Million Dollars spent in Milwaukee each year by convention visitors.

WE KNOW that convention dollars are widely distributed, but we would like to know where they go and what they buy as they travel along.

PLEASE leave this dollar in its envelope and when you spend it, print your name below and indicate what you purchased.

| NAME | ARTICLE PURCHASED |
|------|-------------------|
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |

WHEN all spaces are filled, please remove the cellophane envelope, keep the dollar, and drop the card in any mailbox. It requires no postage.

Convention Bureau
MILWAUKEE ASSOCIATION OF COMMERCE

spent immediately and circulates as readily.

It was necessary, in introducing this test, to secure the support and cooperation of all merchants and business men in Milwaukee as well as the convention body itself. Unless the visitors use the money in payment of all expenses incurred while attending the convention, "convention dollars" can not circulate and the citizenry is not impressed as to the value of the meeting to its own community.

Through the medium of the National Association of Credit Men, a group of business men who are vitally interested in credit circulation, the convention dollar idea and its circulation should be eagerly received as a method whereby a new angle in credit circulation may be observed. This plan is an outgrowth of an extensive campaign by the bureau to ascertain the monetary value of conventions. Many surveys have been conducted on this problem, but none has ever attempted to actually trace the path of the dollar in this way.



by Philip J. Gray
Credit Congress Director

C Group programs fairly bristling with interest are scheduled for the Credit Congress of Industry on Tuesday, June 20, the second day of the Milwaukee Convention. These programs include well-prepared presentations with ample time for wide-open discussions on almost every aspect of credit administration, emphasizing cooperation and coordination of effort and—for those who like a good scrap—with just enough of the controversial added to spice the whole.

The chairman of these groups are in almost every case distinguished members of "The Old Guard" of credit. They have given unstintingly of their time and energy to schedule programs that will be interesting and instructive. Each chairman has arranged his program in as comprehensive a manner as possible and each has sought to emphasize those subjects which are of particular significance to his associates in the trade. The speakers on the various group programs are outstanding men, well qualified by experience to discuss authoritatively the subjects allotted to them.

The meetings arranged at this writing and listed on this page, already constitute a fairly representative cross-section of industry and it is hoped that several more groups will have organized their programs before convention time to make the coverage even more comprehensive. It is safe to say that almost every delegate to the convention will find either a group meeting made up exclusively of his business associates or a meeting in which he will have a very definite common interest with those attending and from which he can derive some real and lasting benefits.

Cooperation and coordination of effort is the rallying cry for the Credit Congress of Industry. (Cont. on page 26)

Credit Congress of Industry

| Group | Chairman | Firm |
|--------------------------------------------------------------|--------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Automotive Supplies Group | Earl W. Brown | Andrae Auto Sup. Co., Milwaukee, Wisconsin |
| Bankers' Group | Alexander Wall | Robert Morris Associates, Land-downe, Pa. |
| Bar Steel Group | C. V. Orr | Gulf States Steel Co., Birmingham, Ala. |
| Cement Group | E. B. Odenkirk (co-chairmen) George Kilian | Medusa Portland Cement Co., Cleveland, Ohio Pennsylvania-Dixie Cement Co., New York, N. Y. |
| Clothing and Dry Goods Group | I. N. Haskell | Alfred Decker & Cohn, Chicago |
| Coal Group | S. T. Harwood | Philadelphia & Reading Coal & Iron |
| Manufacturing Confectioners' Group | C. W. Wright | Paul F. Beich Co., Chicago |
| Drug and Chemical Mfrs. Group | D. G. Smyley | Parke, Davis & Co., Chicago |
| Drugs, Confections and Tobacco Wholesalers' Group | Earle E. Reeves | Ft. Wayne Drug Co., Ft. Wayne, Indiana |
| Electrical and Radio Group | H. L. Cummings | Westinghouse Elec. Sup. Co., Inc., St. Paul, Minn. |
| Florists' Supply Credit Group | C. C. Pollworth | C. C. Pollworth Co., Milwaukee, Wisconsin |
| Natl. Food and Allied Products Credit Group | Frank H. Wheat | Federal Match Sales Corp., New York City |
| Food Products Wholesalers' Group | James Mulvey | Minn. Mercantile Co., Stillwater, Minnesota |
| Footwear Group | Charles Bourget | Commonwealth Shoe & Leather Co., Whitman, Mass. |
| Furniture Group | A. Seidenspinner | American Chair Co., Sheboygan, Wisconsin |
| Hardware Manufacturers' Group | Paul Fielden | Norton Company, Worcester, Mass. |
| Hardware Wholesalers' Group | W. B. White | Smith Bros. Hdwe. Co., Columbus, Ohio |
| Insurance Group | D. C. Campbell | Fidelity-Phenix Fire Ins. Co., Chicago |
| Iron and Steel Group | T. J. Sullivan | Inland Steel Co., Chicago |
| Jewelry Wholesalers' Group | A. N. Price | The Ball Co., Chicago |
| Newspaper Group | R. B. Gratzner | Courier-Journal-Times, Louisville, Ky. |
| Paint, Oil & Varnish Group | P. W. Ruppert | National Lead Co., Milwaukee, Wisconsin |
| Paper Products & Converters' Group | Russell C. Flom | Menasha Products Co., Menasha, Wisconsin |
| Fine Paper Group | K. E. Hellstrom | Messinger Paper Co., Chicago |
| Petroleum Group | M. C. Roberts | Tidewater Oil Co., Tulsa, Oklahoma |
| Plumbing and Heating Group | Fred J. Blum | Midwest Piping & Supply Co., Inc., St. Louis, Mo. |
| Stationery, School and Office Equipment & Supply Mfrs. Group | L. W. Brigham | The Wahl Company, Chicago |
| Textile Group | E. F. Addiss | Meinhard, Greeff & Co., New York City |

The men who have led the N. A. C. M. since the Detroit meeting last June. Standing: Vice Presidents (l. to r.) A. J. Peoples, J. A. Bond, E. I. Kilcup. Seated: Executive Manager H. H. Heimann, President E. Don Ross.





Convention

by **BRACE BENNITT**, Convention Director, N.A.C.M.

EN Last year we said there is no substitute for your National Convention. It is doubly true this year—a year when the subject of credit is one of the essential considerations in the working toward business and economic recovery. When we meet again in Milwaukee, it is not only to study our own problems together, but also to deliberate upon the responsibility of the credit fraternity to business at large. There will be pleasure and relaxation mixed in with our working week, and there will be much constructive thought, valuable learning and further equipment for the big job ahead.

ENTERTAINMENT

I can do no better in telling you of the entertainment than to quote E. G. Losse, Chairman of the Milwaukee Registration Committee:

... "All work and no play may make 'Jack'—but besides ideas, inspiration and profit, our bunch has always dipped into fun, frolic and friendship. And, like Alice in Wonderland, there'll be some gorgeous moments for us when we'll pass through the locking glass into the Fairyland of Fun. Listen to this:—

... "President's Ball, Monday night, at the Schroeder. A lyrical half-mad orchestra wailing like a lost soul. Better than 3.2% of fun and folly! Will you be there? You wouldn't, *couldn't* miss it!

... "Wives and Sweethearts and Women Members are going off on a little expedition of their own Tuesday, while the men folks saw wood. Their trip will include St. John's Military Academy at Delafield, Nashotah House, the

Carnation Milk Plant at Oconomowoc, with a luncheon at Mid-Victorian Draper Hall; and home by way of Holy Hill.

... "And the next day, Wednesday, they will be entertained at a perfectly appointed Bridge Luncheon at the fashionable Surf on Lake Michigan! Is that something?—or isn't it? My wife tells me it decidedly IS!

... "M-m-m-m! Tuesday night you'll hear just about the best male singing ever. The concert will be presented by the Lyric Male Chorus of 100 (yes, count 'em, 100) voices. All home talent chosen from Milwaukee's best tenors and baritones and basses profound!

... "But the high spot—100%—glamorous and gilt-edged event of the whole Convention—will take place Wednesday night! "A NIGHT IN OLD HEIDELBERG"—at the Wisconsin Club will recapture some of the old-world charm of old-time Milwaukee and bring to life again the "gemutlichkeit" of the old German town.

... "Imagine! June—a lawn with trees, flowers and shrubs that look as though God grew them and Man, ages ago, fenced them in with a wrought-iron fence and built an ancient German castle in their midst. That's the setting—out-doors—soft breezes—music—dancing—beer served by waiters who've been waiting for this day since 1919—entertainment—the cleverest and cutest you ever saw—A NIGHT IN OLD HEIDELBERG.

... "That's the story—and you'll agree with me that we are all likely to remember this Convention as one of the brightest spots of 1933."

TRANSPORTATION

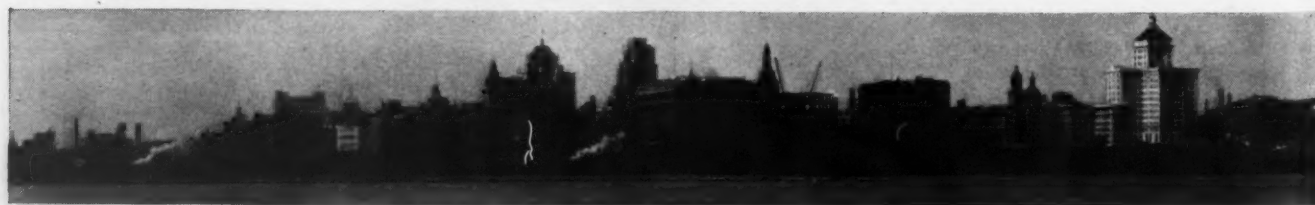
Convention delegates and their families will have the advantage of a fare and a third Convention rate, as against a fare and a half, with the added fact that still more economical travel will probably be possible by using Century of Progress rates, which can be determined by consulting your local ticket agent. Railroads have been very cooperative in working out railroad arrangements with us, and stand ready to work with all local Associations and delegations in arranging for their travel.

MILWAUKEE AND WISCONSIN

We refer to both the city and state because the Green Bay, Fond du Lac and Oshkosh Associations have been working wholeheartedly with Milwaukee in making this the best possible annual meeting. The local committees have been functioning for months and their plans for your comfort and pleasure will be amply proven when the Convention is over. Nothing has been left undone for your convenience. Registration will be facilitated. The hotel has promised you rooms promptly on arrival. The Reception and Information Committees will be on hand at all times to answer your questions and see that you are taken care of. The Hostess Committee will have headquarters in the hotel and has organized itself fully for its work.

CENTURY OF PROGRESS

Convention sessions have been arranged for Monday, Tuesday, Wednesday and Thursday, so that we will be able to adjourn on Thursday night, leaving Milwaukee Friday and have the weekend to visit the World's Fair and Century of Progress. The Chicago Association, through J. F. O'Keefe, its Secretary, has been wonderfully cooperative in seeing to the real big job of having available hotel accommodations and other accommodations for our pleasure and comfort while we are in Chicago. The arrangements of the program as made are going to permit all delegates and guests to attend all the



highlights

sessions of the Convention and still have ample time at the Century of Progress Friday and Saturday and as long thereafter as they wish. Fine recognition has been given our organization by the Century of Progress, designating Friday, June 23rd as "National Association of Credit Men Day".

COMMEMORATIVE ENVELOPES

June 23, National Association of Credit Men's Day at A Century of Progress, Chicago, will be commemorated with special officially cacheted envelopes bearing the new Century of Progress stamps and mailed from A Century of Progress sub-station post office (for the uninitiated, cacheted envelopes are those having a special design struck on the left hand side of the front, significant of the date and event to be commemorated.)

Lou W. Kreicker, 201 North Wells Street, Chicago, Cachet Director of A Century of Progress, will be glad to handle all requests for these covers providing a service charge of fifteen cents for each cover is included.

N. A. C. M. DISPLAY

An interesting and instructive feature of the Convention this year will be a complete and effective display of all advantages and services of the National Association of Credit Men and its affiliated units. Besides the display of all these advantages and services, there will be ample material on hand and staff personnel in attendance so that you may become still more fully informed on the necessary tools of your profession. Don't fail to make use of this opportunity.

BUSINESS SHOW

After you register as a delegate to the 33rd Annual Convention of the National Association of Credit Men, you will want to devote some time to the Business Show.

Why? Because the advertisers in Credit and Financial Management have devoted the past year to stepping up the efficiency of both their products and services. They have most carefully analyzed your problems with the help of

Credit and Financial Management's staff and will exhibit equipment calculated to solve them for you.

PROGRAM

Monday: The Convention will open formally with "a bang and a band" Monday afternoon at 1:00 o'clock. It will be called to order by the Convention Chairman, National Director W. K. Adams of Milwaukee, who will present the gavel to President E. Don Ross. The opening speaker on the afternoon's session will be Dr. W. A. Ganfield, President of Carroll College. He has chosen for his address the intriguing title, "C-D vs. C-C". Governor Albert G. Schmedeman of Wisconsin will present the welcome of that state to the delegates and there will also be words of greeting from the National Retail Credit Association and Canadian Credit Men's Trust Association, Ltd. The session will be climaxed with the keynote address by Executive Manager, Henry H. Heimann entitled "Circulating Credit Creates Commerce".

Tuesday: Full details concerning the Credit Congress of Industry can be found on page 13 of this issue. The group sessions will occupy the entire day, after the initial get-together in the convention hall, where there will be an address by Dr. A. P. Haake, Managing Director, National Association of Furniture Manufacturers. Besides these group sessions, Tuesday will witness the annual credit women's dinner exclusive for the credit women in attendance at the Convention and the bankers' dinner that night under the auspices of the Robert Morris Associates.

Wednesday: Instead of scattering throughout the convention program various credit subjects as in past years, the Wednesday morning session will be devoted exclusively to a coordinated program covering the essentials of present-day credit practices in the light of current business conditions. The session will be opened by the annual report of the National President, who will be followed by R. A. Colliton, Director of the N. A. C. M. Credit Interchange Bureaus, S. J. Schneider, President of the Secretarial Council and Secretary-Manager of the Louisville Credit Men's Association and David A. Weir, Assistant Executive Manager of the N. A.

C. M. Their addresses on the subject of "Sound Credit Practice—Today's Responsibility" will form the basis for an open forum later in the morning session, which will be led by former Executive Manager J. Harry Tregoe of Los Angeles. The session will be closed with an analytical summary by Executive Manager Heimann.

Wednesday afternoon, Dr. Glenn Frank, President of the University of Wisconsin, addresses the delegates on the subject of "Towards National Recovery". There will be another featured speaker at this afternoon session. The annual report of the Executive Manager and the report of the Membership Committee by Chairman Fred H. Schrop of South Bend, together with the membership awards, will complete the Wednesday afternoon session.

Thursday: On this morning there will be an unusual feature, the introduction of the Old Guard of the Milwaukee Association, who were prominent in its activities in 1900 on the occasion of the National Association of Credit Men's previous visit to the city. The opening address will be made by a business leader who has been selected and promised to attend, but from whom we are awaiting final commitment. An innovation in the National Association of Credit Men's program will be consummated at this session when the Hon. Nellie Tayloe Ross, Director of the United States Mint, former Governor of Wyoming, and Vice-Chairman of the Democratic National Committee, will speak on "The Drama of Government". She has the distinction of being the first featured woman speaker on a National Association of Credit Men Annual Convention program. The closing address will be presented by Dr. Allen D. Albert, Assistant to the President of the Century of Progress, who will discuss "Progress Makes its Accounting" in the course of his inspirational speech. This will be a fitting preliminary to the visit by the National Association of Credit Men delegates starting on Friday to the Century of Progress at Chicago. The closing session of the convention on Thursday afternoon will feature an address by the Hon. Daniel C. Roper, Secretary of Commerce. He will be followed by the annual election of the officers and directors with a closing address by the new President.

"Meet me in Milwaukee"

"That Columbia crowd"

- "Brain trust" is the label of its critics;
- "Trust brains" is the answer of its supporters.
- An impartial analysis of facts concerning three of the administration's economic advisers.

C"That Columbia Crowd" has become a familiar epithet in newspapers, magazines and verbal discussions. This phrase, along with such others as "The President's Professors" and "The Brain Trust", has become a popular rallying-point for criticism of the new administration. As soon as the President selected three Columbia professors for important positions in his official family a wave of conjecture and debate swept the country. After trips through various parts of the country and several visits in Washington, I was convinced that practical business men were accepting generalized and prejudiced statements about Mr. Raymond Moley, Mr. Rexford Tugwell and Mr. Adolf Berle without a moments consideration or analysis of true facts and data.

This article is not a defense document. It is merely an interpretation of facts as I have found them. It is not an answer to critics of the so-called "brain trust". It is, however, a plea for open-mindedness and fairness in judging the abilities and economic philosophies of Mr. Moley, Mr. Tugwell and Mr. Berle.

These three men are exerting a definite influence in the shaping of economic policies that will guide our country during the next few years. There is ample evidence available to give anyone an honest picture of their beliefs, convictions and capabilities.

Before me, as I write, is an editorial from a great, metropolitan newspaper concerning "the brain machine of the administration". It closes with this admonition, "The President ought to give his brain trust a good long rest at the earliest possible moment. Or how about a sabbatical year?" This is typical of a great many editorial expressions I have read during the past two and a half months. Wherever I go I hear business

by Chester H. McCall

men talking and worrying about "those Columbia professors". But I haven't been able to find a single critic who has passed on the facts before passing on his opinions to others concerning the impracticality or academic futility of these three advisers to the President. All I want to do here is to contrast a few facts with the half-truths that are circulated as facts.

About a month ago a New York newspaper accused Professor Moley of being a scholastic theorist "who had never had his teeth in practical, government problems".

From a humble birth in a little Ohio town, Mr. Moley has risen to the position of Assistant Secretary of State and trusted presidential adviser. This is entirely in keeping with the American tradition of individualism. After receiving his Ph.B. young Moley became superintendent of schools in a small Ohio city and was elected mayor at the age of 21. Here then, at this remarkably youthful age Mr. Moley first came in contact with practical municipal problems.

Many years later, after receiving his master's degree at Oberlin, his Ph.D. at Columbia and serving as an Assistant Professor of Political Science, he was called from Western Reserve University to conduct a survey of criminal conditions in the city of Cleveland. His study not only brought about a civic clean-up but started his rise to recognition as a professional fact-finder and analyst.

Because of the remarkable work he had done for Cleveland, Mr. Moley was persuaded to conduct similar investigations in California, Connecticut, Illinois, Indiana, Michigan, Missouri, Pennsylvania and Virginia. If this experience

doesn't qualify Mr. Moley as "having had his teeth in practical government problems" I wonder what could.

It was while Mr. Moley, then a professor of government and public law, was serving on the New York State Crime Commission that he attracted the attention of Governor Franklin D. Roosevelt. This gave Mr. Roosevelt an opportunity, over a period of several years, to observe the distinctive talents of Raymond Moley. Practical government leaders in New York state, including Al Smith, have relied upon the advice and counsel of Moley—and there is no record of any catastrophes resulting from his suggestions and ideas. If experience and study in municipal and state affairs are sound preparation for the broader work of national and international administration, Raymond Moley is as well-qualified in these respects as the larger percentage of people who move up into Federal positions.

Mr. Moley's mind has been unusually well-trained in fact-finding and fact-evaluation. And it is these precise abilities that the President utilizes to the utmost. The new Assistant Secretary of State is a political scientist through education, research and actual experience. In conducting municipal crime studies throughout the country, Moley not only recommended what had to be done—he suggested how it should be done. In Washington today he is even more a "how" man than a "what" man. It is his job to help find the most effective ways of doing the things that must be done.

I believe you will agree with me that these briefly enumerated facts refute the constantly published reports that Raymond Moley is not equipped, both by education and experience, to serve the President as he is doing today. None of us may be entirely in agreement with everything he says and does. In an editorial in this magazine last month I took issue with a statement which he

made. But because we are not always on Mr. Moley's side of the question does not mean that we should disregard the true facts about his abilities and accomplishments.

I have shown how the editorial writer who said that Mr. Moley had never had his teeth in a practical government problem was completely misinformed. Statements of this kind about anyone are unjustified and misleading. If any man's convictions are derived from experience, research and study we must respect them even though we may not agree with them.

Rexford G. Tugwell, Assistant Secretary of Agriculture, and popularly labeled as the "No. 2 Man of the Brain Trust", has been criticized almost as severely as Mr. Moley. As Professor of Economics at Columbia University he also served as a counselor to Mr. Roosevelt before he was elected President. When the recent agricultural bill was written it was variously called "Tugwell's academic brain child", "Tugwell's agricultural omnibus", etc. According to many of our leading papers Mr. Tugwell, virtually single-handed, wrote the bill.

Nothing is farther from the truth. Mr. Stephen Early, one of the President's secretaries, gave me official proof that at least fifteen men were in constant conference with the President during the framing of this bill. The Secretary of Agriculture, Senators, Congressmen and farm leaders met with the President, along with Professor Tugwell, to discuss and analyze this momentous problem. Tugwell neither dominated nor predominated. Yet critics of the bill pounced upon what they considered its most objectionable features and credited, or "discredited", them to Tugwell. Why? Because he has been a professor! Because he is one of the "brain trust"!

The recent publication of Mr. Tugwell's book "The Industrial Discipline" again offered an excellent target for critics of "the Columbia professors". After seeing five reviews of this book I wonder how many of the reviewers really read it thoroughly. I am inclined to think that they perused it with a prejudiced mind, hoping to find as many points as they could with which to disagree.

One reviewer said, "had the election turned out differently this book probably would circulate only in the Columbia classrooms. As things are, its reading may help the perplexed to under-

stand the origin and direction of the stream of legislation now cascading over the Capitol". I read this book with the same open mind that I have read over fifty other economic treatises during the past year. Personally, I think it is far better than many but it does not appeal to me as much as a few others I could name. By no stretch of the imagination would this book, under ordinary circumstances, be relegated only to the classrooms of Columbia.

Furthermore, it will not "help the perplexed to understand the origin and direction of the stream of legislation now cascading over the Capitol". Mr. Tugwell is Assistant Secretary of Agriculture. That is his job. He is an adviser to the President on agricultural problems. He has no more to do with legislation not relative to agriculture than the Assistant Secretary of War has to do with legislation not pertinent to the War Department. Yet the inference of this book reviewer is that you may read Professor Tugwell's new book and understand the origin and direction of all legislation now being enacted. It imputes to him the responsibility for motivating the diversified legislation that is approved by Congress. This is merely another example of the puerile reasoning applied to anything and everything the Messrs. Moley, Tugwell and Berle may do.

Returning from Washington the other day, I was interrupted in my reading by a man sitting next to me. He said, "I see you're reading Tugwell's new book. I understand it is rather vague and academic and doesn't indicate that he has any practical inclinations". He admitted that he hadn't read the book so I showed him one or two passages. It gave him, a practical business man, a new viewpoint concerning Tugwell and his ideas.

The basis of Tugwell's economic philosophy is probably summed up in this one passage: "It is interesting to see how efficient, within themselves, associations of producers have become, and how ineffective they appear to be in intergroup activity . . . Each of two groups may be admirably efficient. Their efficiencies may cancel out if they work against each other."

By "Industrial Discipline" Mr. Tugwell means the ability of numerous group units to work effectively and efficiently together just as numerous business units within a group now do.

It seems to me that his whole economic philosophy is (Continued on page 39)

"Three's the crowd"



RAYMOND MOLEY



REXFORD TUGWELL



ADOLF A. BERLE, Jr.

Legal reserves for industry

"If American business had a secondary reserve, there would be very little business problem."

From a speech in 1930, by EUGENE R. BLACK, new Governor of the Federal Reserve Board.

EN Security is the key note of the two most important businesses in the United States—banking and insurance. To provide this security the laws require for each, the putting aside of cash or near to cash reserves, adequate for meeting at any time, and at once, every legal demand due to the maturing or determined claims, for any kind of insurance and for the daily demands of depositors upon their respective banks.

We do not permit ourselves to contemplate the financial chaos which would follow the failure of any important insurance company to preserve the full integrity of its legal reserve and we have only too well in memory the chaotic condition in thousands of communities, these past few years, because some banks failed to keep intact the integrity of their reserves and the deposits entrusted to their care and keeping.

Perhaps experience will again be a good teacher and old fashioned habits of prudence, honesty and integrity will re-establish confidence in those quarters where, for just cause, it has been so sadly impaired.

Accustomed as we are to the soundness of the requirement and the essen-

"And," queries RICHARD M. LAMBERT, "why not?"

tial necessity for this provision in regard to banking and insurance we have not given much thought to some similar, though purely voluntary, and not legal, provision for all other important lines of industry and commerce.

The millions of unemployed in this country in their bewilderment wonder why they are and remain unemployed, against their earnest desire for honest work and gainful employment. Other millions employed on full or part time, but with incomes greatly reduced, wonder also and are bewildered at a condition so confusing and so unpromising.

Is it within the limits of possible realization for us to visualize the effect which might have been our experience and history through 1930-1931-1932, had the masters of capital and the managers of business for the past fifteen breathless years, put by one-half the earned profit in cash or near cash reserves against eventualities?

With that accumulated large reserve upon which to draw, the losses from operations in the depression period would not have been so threatening nor have

been so discouraging to enterprise. With that vast cushion against the effects of depression, there would not have been required the wholesale discharge of employees, the part time operations, the complete closing of factories in any such wholesale way as has been our bitter experience.

The losses natural to a period of trade recession, even of grand magnitude, would not have mounted to such high totals in any case nor with most industries. Admittedly, one chief source of the extreme losses to business has been the sharp diminution of markets through ten million unemployed, added to the reduced income of those employed from reduced wages and part time employment.

Had there been available the cushion of cash or near cash reserves, accumulated over years in the profit earning period, the price of products could have been lowered, markets would have been retained, losses from operation curtailed or modest profits earned and this structure of industrial activity, however reduced, would have retained vitality and provided consumer energy and purchasing power, to lessen the shock and hold in check the extreme of deflation and demoralization which has been experienced.

It may be objected that many large corporations had such reserves and tried to operate with but extremely limited result, but to this must be replied that right as was their financial condition and true their policy, they could not succeed alone.

Had the practice they followed been a general policy of all businesses, the total of controlled operations arising from the available cash reserves in hand would have added their immense weight to the total of business done and to be done, and the national income would not have shrunk from 88 billion dollars to 40 billion dollars, nor would the steel producers have been forced to an output of 14% of operating capacity.

This suggestion is not proposed as a specific, a cure-all, (Continued on page 31)



Builders — not bankers

"The development of our country has been due to the investment of insurance funds. It has not been the function of life insurance companies to do a banking business."

by ARTHUR F. HALL, President, Lincoln National Life Insurance Co.

How life insurance helped the country, individuals as well as industry and commerce, is a matter which probably is not realized fully. Probably no other single factor had such an influence in checking the fear which added to the disastrous effect of the depression.

The effect of the insurance business was two-fold. Immediate assistance was brought to the individual through the payment of insurance benefits and help to industry and commerce was extended through the investment of the tremendous accumulations by savings of life insurance companies.

When business and finance were battling with their greatest difficulties in 1932, American life insurance companies put into circulation \$4,100,000,000 through matured endowments, annuities, dividends, surrender values, disability benefits and policy loans—the largest sum paid out of their treasuries in their history. This sum was greater than the entire internal revenue receipts (which includes income taxes) of the government, plus all the money loaned by the Reconstruction Finance Corporation, plus all the money raised by all agencies for unemployment relief. Of this \$4,100,000,000 the insurance companies paid \$2,175,000,000 to living policyholders and only \$925,000,000 to beneficiaries of deceased policyholders. An additional \$1,100,000,000 was loaned to policyholders.

Despite this unprecedented disbursement, including nearly as heavy drains during 1930 and 1931, the assets of the life insurance companies jumped from \$16,000,000,000 at the end of 1929 to \$19,000,000,000 in 1932, a gain of approximately 19 per cent.

The principal obligations of life insurance companies are to pay death claims, matured endowment policies and annuities. The secondary obligation is to lend money on policies, but throughout the history of the life insurance business the companies experienced no

undue demand on account of this banking feature of their business, until the recent moratorium on banks, declared by President Roosevelt.

Until three years ago, it had always been possible to statistically forecast the demand for policy loans, as well as death claim demands, and to be prepared to meet these with cash or short time investments. The remaining funds were placed in long term investments, such as mortgage loans and bonds. The development of our country has been due to the investment of billions of dollars by life insurance companies in city and farm mortgages, and in bonds of the U. S. Government, states, counties, cities, public utilities, and railroads. The proceeds of these long time investments have been used to finance the building and development of every conceivable thing our people use. It has not been the function of life insurance companies to do a banking business.

If life insurance companies must function in the future as banking institutions, then they must keep themselves liquid—which means that the cost of life insurance to policyholders will have to be increased from 20 to 30%.

For the past three years, when the banks were hard hit by runs, the demand upon life insurance companies for loans increased 60 per cent. After the President declared a moratorium closing

all banks, policyholders became panicky and during the two weeks following, the demands upon the life insurance companies increased 240 per cent. A very large part of the withdrawals was for purposes of hoarding—the very evil the President sought to prevent by his order closing the banks.

As an outgrowth of this situation, the insurance commissioners wisely decided to forbid life insurance companies to meet this demand except in cases of necessity. As this order stands now, a policyholder can borrow any amount he needs for unusual emergencies.

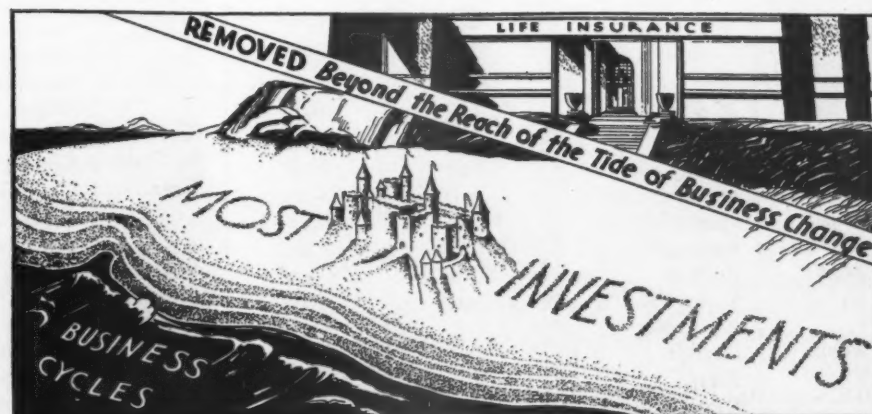
I have been asked frequently when the moratorium on life insurance policy loans will be lifted. I don't know, but I think that it should not be lifted until our banking situation is normal.

Why the insurance companies were able to weather the depression at a time the banks so strongly felt the effects of the financial stress is a matter which I think will interest the public.

The very nature of the life insurance business is different in every way from banking. Many banks failed because too great a proportion of their assets was loaned on real estate mortgages. Then when the great crash came in 1929 there followed runs on the banks. The mortgage loans made by the banks could not be called until, by their terms, they became due. The depositors demanded cash in a hurry and the banks could not produce it when wanted, so many of them were forced to close. Their obligations were due "on demand," but their assets were not sufficiently liquid to meet their demand obligations.

The principal obligations of life insurance companies, however, are not due on demand and there is no reason why they should keep their assets unduly liquid. Their obligations fall due over a long period of years.

Now as to the investment features of the life insurance (Cont. on page 37)



Courtesy of the Manufacturers Life

Nation-wide collection and sales conditions

What they are at present
The outlook for the near future

CREDIT AND FINANCIAL MANAGEMENT offers its regular monthly survey of collections and sales conditions. It is based upon reports from the associations throughout the country affiliated with the N. A. C. M. The reports are the results of the daily experience of the leading wholesaling and manufacturing concerns op-

erating from these trading centers. The two questions "Are people buying?" and "Are they paying?" are perhaps the most direct and immediate reflection of daily business conditions in the country.

These reports have been tabulated so that you may see at a glance how conditions are reported in various cities in

each state, also what cities report a condition of "Good, Fair or Slow." At the end of this summary you will find valuable explanatory comments that have been sent in to CREDIT AND FINANCIAL MANAGEMENT. These additional comments may be pertinent to your interpretation of collection conditions and sales conditions in the cities listed.

| State | City | Collections | Sales | State | City | Collections | Sales |
|-------|---------------|-------------|-------|----------|---------------|-------------|-------|
| Ala. | Birmingham | Slow | Fair | Minn. | Duluth | Fair | Fair |
| Ariz. | Phoenix | Fair | Fair | | Minneapolis | Fair | Fair |
| Ark. | Little Rock | Good | Fair | | St. Paul | Fair | Fair |
| Cal. | Los Angeles | Good | Good | Mo. | Kansas City | Slow | Fair |
| | Oakland | Slow | Slow | | St. Joseph | Fair | Fair |
| | San Diego | Good | Good | | St. Louis | Fair | Fair |
| | San Francisco | Fair | Fair | Mont. | Billings | Fair | Fair |
| Colo. | Denver | Slow | Slow | | Great Falls | Slow | Slow |
| | Pueblo | Fair | Fair | | Helena | Slow | Fair |
| Conn. | Hartford | Fair | Slow | Neb. | Omaha | Fair | Fair |
| | New Haven | Slow | Slow | N. D. | Grand Forks | Fair | Fair |
| | Waterbury | Slow | Slow | N. J. | Newark | Slow | Slow |
| D. C. | Washington | Slow | Fair | N. Y. | Albany | Slow | Fair |
| Fla. | Jacksonville | Slow | Slow | | Brooklyn | Good | Fair |
| | Tampa | Slow | Fair | | Binghamton | Fair | Fair |
| Ga. | Atlanta | Fair | Fair | | Buffalo | Fair | Fair |
| Idaho | Boise | Fair | Fair | | Elmira | Slow | Fair |
| Ill. | Chicago | Good | Slow | | New York | Fair | Fair |
| | Quincy | Good | Good | | Rochester | Fair | Fair |
| | Springfield | Fair | Fair | | Syracuse | Fair | Fair |
| Ind. | Evansville | Fair | Slow | N. C. | Utica | Fair | Fair |
| | Ft. Wayne | Fair | Fair | Ohio | Charlotte | Fair | Fair |
| | Indianapolis | Slow | Good | | Cincinnati | Slow | Slow |
| | South Bend | Slow | Slow | | Columbus | Fair | Fair |
| | Terre Haute | Fair | Fair | | Dayton | Fair | Fair |
| Iowa | Burlington | Slow | Slow | | Toledo | Slow | Slow |
| | Cedar Rapids | Good | Good | Okla. | Youngstown | Slow | Slow |
| | Davenport | Slow | Slow | | Oklahoma City | Slow | Slow |
| | Des Moines | Slow | Slow | | Tulsa | Slow | Slow |
| | Ottumwa | Slow | Fair | Oregon | Portland | Fair | Good |
| | Sioux City | Slow | Slow | Pa. | Allentown | Slow | Slow |
| | Waterloo | Slow | Fair | | Altoona | Slow | Slow |
| Kans. | Wichita | Slow | Slow | | Harrisburg | Fair | Good |
| Ky. | Lexington | Fair | Fair | | Johnstown | Slow | Slow |
| | Louisville | Fair | Fair | | New Castle | Slow | Slow |
| La. | New Orleans | Fair | Fair | | Wilkes-Barre | Slow | Fair |
| Md. | Baltimore | Fair | Fair | R. I. | Providence | Slow | Slow |
| Mass. | Boston | Fair | Good | So. Dak. | Sioux Falls | Slow | Fair |
| | Springfield | Good | Good | Tenn. | Chattanooga | Slow | Slow |
| | Worcester | Fair | Fair | | Knoxville | Fair | Good |
| Mich. | Detroit | Fair | Fair | | Memphis | Slow | Fair |
| | Flint | Slow | Slow | | Austin | Fair | Fair |
| | Grand Rapids | Slow | Fair | Texas | Dallas | Fair | Fair |
| | Lansing | Slow | Slow | | El Paso | Fair | Fair |
| | | | | | Ft. Worth | Good | Fair |
| | | | | | Houston | Fair | Fair |
| | | | | | San Antonio | Slow | Slow |
| | | | | | Wichita Falls | Fair | Good |

| State | City | Collections | Sales | State | City | Collections | Sales |
|-------|----------------|-------------|-------|----------|-------------|-------------|-------|
| Utah | Salt Lake City | Slow | Fair | W. Va. | Bluefield | Slow | Slow |
| Va. | Lynchburg | Fair | Fair | | Charleston | Slow | Slow |
| | Norfolk | Fair | Fair | | Clarksburg | Slow | Slow |
| | Richmond | Fair | Fair | | Parkersburg | Slow | Slow |
| Wash. | Bellingham | Slow | Slow | Wis. | Wheeling | Slow | Fair |
| | Spokane | Slow | Slow | | Fond du Lac | Slow | Slow |
| | Tacoma | Fair | Fair | | Green Bay | Slow | Fair |
| | | | | Terr. of | Milwaukee | Fair | Fair |
| | | | | Hawaii | Oshkosh | Fair | Fair |
| | | | | | Honolulu | Slow | Slow |

■ Nation-wide collection and sales comments ■

ARIZONA: There is a greater improvement in collections than in sales in Phoenix, although a definite tangible improvement has taken place in both.

CALIFORNIA: Collections have improved slightly in Oakland. Sales are still slow, but the monthly percentage of loss over the same month a year ago is the smallest it has been for months. Retailers generally report increased buying during the last month. San Francisco reports collections show little improvement, but retail sales are much better and there is much more activity in wholesale lines. Prices have advanced in many lines, particularly food stuffs.

GEORGIA: There has been a noticeable improvement in both sales and collections in Atlanta.

ILLINOIS: Reports received in answer to a questionnaire sent out in Chicago indicated the following: 33 1/3% report collections fair and 66 2/3% report collections good. 72% report sales slow, 10%, fair, and 18% good. There has been a marked improvement in conditions in Quincy.

INDIANA: Some improvement has been noted in collections and sales in Evansville. Fort Wayne reports considerable improvement during last few weeks in collections and sales.

KANSAS: Wichita finds the prospect for wheat very poor and oil prices have declined.

KENTUCKY: Many firms in Louisville have reported an increased volume, especially paint manufacturers and cigarette factories working extra shifts.

MASSACHUSETTS: Springfield reports the fol-

lowing: "The greatest optimism exists in this part of Massachusetts. Welfare receivers are dropping off in considerable numbers showing that work must be improving. The greatest bugbear is the senseless cutting of prices by retailers and particularly chain stores, this preventing or rather delaying the recovery."

MICHIGAN: Detroit reports conditions have improved somewhat, taking into consideration as a whole and the tremendous paralysis to business the extended bank holiday provided. More firms are reporting better business all the while. Large wholesale hardware house reported that the last month has been 33 1/3% better than corresponding period last year. Electrical house reports rapidly increasing business. They sell to industrial concerns chiefly.

MINNESOTA: Collections in St.

Paul are still limited by the bank situation, making many payments a matter of time. Sales show considerable improvement, which seem to be a little more than just a seasonable demand. This territory will respond promptly to any marked increase in buying power which may come from improved agricultural prices.

NEBRASKA: Omaha reports a seasonal increase in business in developing an increase in business activity.

NEW YORK: Sales in Buffalo have picked up considerably during the past few weeks.

NORTH CAROLINA: The employment situation in Charlotte has cleared up slightly along with general improved trend in general conditions.

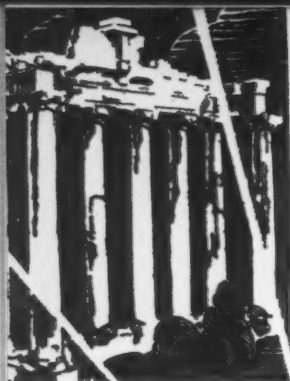
OHIO: Dayton reports the Frigidaire, National Cash Register and Delco Products Companies are putting on additional men and retail trade is improving to some extent. A tornado which did about a million dollars in damage May 9th is helping the building industry. The operating schedules of steel mills in Youngstown show some improvement.

PENNSYLVANIA: Harrisburg reports conditions improved. The Bethlehem Steel Company expect to blow in three furnaces. Carloadings also have improved.

RHODE ISLAND: Very little improvement has been noted in Providence. The banks are in good shape. There have been no suspensions, but they are not lending. Manufacturing jewelers have been very hard hit, but the textiles have improved. (Continued on p. 31)

Changes since last month's survey

| State | City | Collections | Sales |
|---------------|--------------|--------------|--------------|
| Arkansas | Little Rock | Fair to Good | Fair to Good |
| California | Los Angeles | Fair to Good | |
| Colorado | Pueblo | Slow to Fair | |
| Connecticut | Hartford | Slow to Fair | |
| Indiana | Evansville | Slow to Fair | Slow to Fair |
| | Ft. Wayne | Slow to Fair | |
| | Indianapolis | Slow to Fair | |
| | South Bend | Slow to Fair | |
| Iowa | Cedar Rapids | Fair to Slow | Fair to Good |
| | Ottumwa | Fair to Slow | Slow to Fair |
| | Boston | Fair to Slow | Fair to Good |
| Massachusetts | Springfield | Slow to Fair | Fair to Good |
| | Detroit | Good to Fair | Slow to Fair |
| Michigan | Grand Rapids | Good to Fair | |
| | Kansas City | Good to Fair | |
| Missouri | Helena | Good to Fair | |
| Montana | Omaha | Good to Fair | Slow to Fair |
| Nebraska | Newark | Fair to Slow | Fair to Slow |
| New Jersey | Portland | Fair to Slow | Fair to Good |
| Oregon | Harrisburg | Slow to Fair | Fair to Good |
| Pennsylvania | Providence | Slow to Fair | Fair to Slow |
| Rhode Island | Sioux Falls | Fair to Slow | Fair to Good |
| South Dakota | Knoxville | Fair to Slow | |
| Tennessee | Memphis | Fair to Slow | |
| | Dallas | Slow to Fair | |
| Texas | Ft. Worth | Fair to Good | Slow to Fair |
| | Wheeling | Fair to Slow | Slow to Fair |
| West Virginia | Green Bay | Slow to Fair | Slow to Fair |
| Wisconsin | Milwaukee | Slow to Fair | Slow to Fair |



Accounting forum

An open clearing-house of ideas and news for credit executives by accountants.

Auditing ethics needed

A declaration in favor of higher ethical standards in corporate accounting practice with a view to establishing "better safeguards for the protection of the investor" has been made by directors of the Controllers Institute of America, composed of controllers of industrial, business, financial, railroad, public utility and other corporations.

The statement setting forth the attitude of the institute reads:

"The Controllers Institute of America stands for the observance of the highest ethical standards in corporate accounting practice and in the preparation of reports of financial and operating conditions of corporations to their directors, stockholders and other parties at interest, in such manner that all concerned may know the actual conditions in so far as such reports may assist in the determination thereof. To that end, the Controllers Institute of America offers its advice and assistance in connection with any movement which has for its purpose the establishment of better safeguards for the protection of the investors."

Commenting on this declaration, F. J. Carr, president of the institute, said: "This public interest in corporation reports which has developed so rapidly in the last few years, coincident with the tremendous increase in the number of owners of corporation securities, has created a need for reports which not only can be understood by the average small stockholders, but

which also present a true picture of the condition of the reporting company, not merely a statement so condensed and so arranged that it conceals more than it reveals.

"The probability of government action concerning remedial steps for some of our present financial ills is well recognized, and among the steps frequently proposed and discussed is one requiring greater publicity of accounts for all corporations offering their securities in the public market."

Accounting bulletin

George W. Rossetter and Company, Certified Public Accountants, 33 North LaSalle Street, Chicago, have just begun the publication of a bulletin called "Current Assets". This is an educational and informative bulletin issued in the interest of accounting and of businesses which it serves. It contains many valuable news notices as well as pertinent facts that are of real interest to every business executive. We congratulate Mr. Rossetter for his idea in issuing this excellent publication.

Accountancy classified

The most advanced step in the classification of accountancy services ever offered for the benefit of corporate executives, credit grantors and investors by the New York State Society of Certified Public Accountants is outlined in a special bulletin distributed to its 1,900 members and also bankers, credit men and others. Classification of accountancy services has been approved in principle by a large number of certified public accountants throughout the country, having been adopted by the American Society of Certified Public Accountants (the national organization) and various state societies, such as New York, New Jersey, California and others.

Product of years of study and more than a year of committee work, the five major accountancy classifications and one miscellaneous group afford protection to executives, credit grantors and investors by describing the character and scope of services rendered by the independent certified public accountant. This classification is of particular assistance to the average investor in realizing the significance of the accountant's certificate appended to the corporate report.

The classification does not conflict in

any way with the requirement of the New York Stock Exchange, as set forth in its announcement of January 6, 1933, in which it was stated that "scope of the audit must be not less than that indicated in a pamphlet entitled 'Verification of Financial Statements' issued by the Federal Reserve Board in May, 1929. On the contrary, the classification includes in one of its sections the same general specifications as the Federal Reserve Board document.

In the special bulletin, the detailed audit, sometimes referred to as a complete audit, is set forth as having as its purpose the substantiation, by audit procedure, of the correctness of the assets, liabilities (actual and contingent), reserves, capital and surplus as at a balance sheet date. It also includes all transactions for a period on the balance sheet date. This audit is considered by the accounting profession to be the most complete examination of financial condition, and detailed audit of transactions for a given period that has yet been recognized.

Cooperation with accountants

Under the auspices of the American Institute of Accountants special committee on cooperation with bankers, a meeting or representatives of the accountancy profession and of credit organizations took place. The principal purpose of the meeting was to discuss methods by which credit associations might properly obtain from accountants information relative to the financial condition of customers.

Frederick H. Hurdman, chairman of the Institute's committee, presided. He stated that there had been inquiries from members of the Institute as to the purpose and the propriety of questionnaires addressed to accountants by credit agencies seeking data to supplement statements certified by the accountants concerned.

It was explained that in some cases the accountants felt that their certificates should be ample assurance that an adequate examination had been conducted. In other cases the accountant felt that such inquiries, while proper in themselves, should be addressed to the clients for transmission to their accountants.

Representatives of the credit associations explained that the questionnaires were designed to obtain information regarding the scope of the audits upon which financial statements submitted to them were based. It was pointed out that instructions of (Continued on p. 27)

Now . . .

A TYPEWRITER THAT OPERATES ENTIRELY FROM THE KEYBOARD



HERE is the most important contribution to typewriter operation in more than a decade . . . a typewriter in which electricity saves the wasted energy and motion that make typing so tiring.

In this new typewriter the motor does all the heavy work—returning the carriage, spacing automatically to the next writing line, and shifting to capitals. The keyboard is standard. There is no new touch to learn. The lessening of fatigue results in increased production.

This new electric carriage typewriter is guaranteed by Burroughs. It is backed by the same Burroughs service organization that for years has

served electrically-operated Burroughs machines in offices throughout the world.

Like all Burroughs Typewriters, this new machine is displayed in local Burroughs offices. Telephone today for a demonstration in your own office—or write for free illustrated, descriptive folder.

BURROUGHS ADDING MACHINE COMPANY, DETROIT, MICH.

BURROUGHS

Electric Carriage

TYPEWRITER

"This month's collection letter"

by DALE H. DAVIS, Sunset Electric Co., Seattle, Wash.

Dear Sir:

LAWYERS! COURT! COSTS!

Suppose the machinery, tools, fixtures and merchandise you own were to be attached tomorrow for payment of your account with us! We know you would want to offer us settlement, either cash or regular payments, immediately.

Our rule is to pay our obligations when due—but, suppose we would say, "We'll think it over," and in the meantime you had to wait for our reply as long as you have made us wait for the money you owe on this account.

Think it over. You owe us \$20.00.

■ The collection letters presented each month in this department are not theoretical model letters. Each letter has been used successfully in actual practice and experience. Only those letters are selected which have brought unusually good returns to their users. By making a few changes in the phrasing of these letters you can adapt them to your own business with the same degree of success that they have brought others.

In order to write an intelligent collec-

tion letter, you must know the paying habits of each customer to whom you send a letter. The first prerequisite to successful collection procedure is a Credit Interchange report by the Credit Interchange Bureaus of the National Association of Credit Men. These reports tell you when to collect and how to collect. With Interchange reports before you on each of your accounts, you will attain maximum effectiveness in using the collection letters presented in this

department every month.

Send us your best and favorite collection letter for our "collection of collection letters" which we are gathering for readers of CREDIT AND FINANCIAL MANAGEMENT.

A selected series of individual copies of the collection letters which have appeared in CREDIT AND FINANCIAL MANAGEMENT is available upon application. Apply to Miss Mary V. Larkin, Manager, Collection Letter Department, CREDIT AND FINANCIAL MANAGEMENT, One Park Avenue, New York.

CREDIT and FINANCIAL MANAGEMENT JUNE, 1933

"...banking publications are being flooded with queries from banks, about the relative strength of insurance companies..." ("Insurance Advocate"—N. Y. City)

Facts Regarding THE RELATIVE STRENGTH

of the Fire Insurance Companies in the "North British" Group may be obtained from their December 31, 1932 Financial Statements, which include complete investment portfolios with Moody's ratings. Study of them is invited for there is hardly a Bank or Building & Loan Association in the country that is not protected by one or more of these companies:

The Commonwealth Insurance Company of New York
The Mercantile Insurance Company of America
The Homeland Insurance Company of America
North British & Mercantile Insurance Company, Ltd.
(U. S. Branch)
The Pennsylvania Fire Insurance Company

From formation these companies have rigidly practised, in good times and bad, a policy of sound underwriting and conservative investments, thereby guaranteeing security to policyholders. Furthermore, none of these companies has borrowed any money, nor needs to. They have proved Conflagration and Panic proof.

The percentages of bond holdings and their ratings by Moody's Investors Service (officially recognized by the New York Insurance Department) are as follows:

| Classification of Bonds held December 31, 1932, according to Moody's Bond Ratings | | | | | |
|--------------------------------------------------------------------------------------|-------------------------------|----------------------------|-----|-----|-----|
| | Bonds to total investments | Aaa (highest rating) | Aa | A | Baa |
| Commonwealth | 96% | 63% | 25% | 10% | 2% |
| Mercantile | 96% | 68% | 23% | 9% | 0% |
| Homeland | 75% | 72% | 16% | 10% | 2% |
| North British | 92% | 70% | 23% | 6% | 1% |
| Pennsylvania | 90% | 53% | 34% | 9% | 4% |

(These fire insurance companies' financial statements are worth studying)

Advertising Department:

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150 William Street, New York, N. Y.

Please send copies of your Financial Statements and investment portfolios as of December 31, 1932 to:

Name.....

Address.....

(Check those you desire)

C.M. 2

Credit congress of industry

(Continued from page 13) Every business executive should answer this call and contribute his share to the development of this splendid movement which represents today's business chief hope for improvement.

Your group chairman has done his part in organizing the meeting, the speakers will do their share in presenting the subjects assigned to them, and it only remains for you to "carry on" by being present and taking part in the interesting floor discussions that each group has scheduled. Mark the date right now. It is June 20—Credit Congress of Industry, 1933, at Milwaukee.

Profits first!

(Cont. from page 11) of those who will come into the markets for our commodities. We have not yet come even within hailing distance of the saturation point for commodities, as long as there are still literally hundreds of millions of people in the world who do not have a sufficient amount even of the necessities of life.

The matter of cutting production costs through greater efficiency is not the entire answer. Our distributive system has been woefully wasteful and many of these wastes can be cut materially. In cutting them down we can make it possible for goods to be sold at a lower price and thus have wider markets for our products. This can be done with increased profits, even though the price which must be charged for commodities is decreased.

For one thing, it is entirely too easy to go into business in this country, and too easy to stay in business. The result is that we have tens of thousands of parasites in our distributive organization whose maintenance there must ultimately be paid for by the consumer, in the form of higher prices on commodities. These higher prices, in turn, decrease the market for the commodities produced.

Credit executives of ability and intelligence, if given the support of other executives, can do much towards elimination of this waste. There is no advantage to any business organization in continuing to carry non-profitable accounts year after year merely for the purpose of preventing competitors from carrying these accounts. Credit

executives acting individually in some cases, and in cooperation with fellow-executives in others, can and should prevent many of these non-profit making individuals from cluttering up the business picture. In doing that they will be rendering a service to all and imposing a hardship on none. They will serve their own business organizations, the debtor who must ultimately fail any way, and the general body of consumers who make final payment for these failures. They will be contributing to more permanent prosperity through assistance in bringing about a more adequate distributive organization.

In service of this type, the credit executive is performing a definitely positive function and not merely the negative one which he and others some times look upon him as performing. He is in a sense the business engineer, who charts the course of business in such a way as to avoid the rocks of unprofitable accounts, and thus adds definitely to business profits.

The work of the credit executive therefore, as well as the work of the credit executive's organization, the National Association of Credit Men, may have and does have an important place in attaining the objective of "profits first." These are days when, in pursuance of that end, every individual and every organization must justify his or its place in our economic order. There are three definite and positive justifications for the existence of this organization of credit executives.

1. To assist the Credit Manager in better fitting himself for his job of business engineering.
2. To make it more easily possible for the credit executive to perform that task, through assisting in such matters as the securing of legislative enactments which are of benefit to business in general, and to the credit side of business in particular.
3. Through the medium of the service units of the Association to provide effective tools with which the credit manager may carry on his work efficiently and successfully.

The idea "profits first" is not a harsh or uncharitable doctrine. To place that as the major premise upon which business recovery and advancement must rest is simply a frank recognition of the fact that without business profits there can be no adequate foundation upon which to build general improvement in the material welfare of mankind. The past four years have been times of trial, but they have not been times which have destroyed the essential stamina of

\$150 for a Room & Bath

The HOTEL IMPERIAL
Broadway at 32nd St.
NEW YORK CITY

Single . . . \$150 . . . \$200 . . . \$250
Double . . . \$250 . . . \$300 . . . \$350

ONE BLOCK FROM PENNSYLVANIA STA.
Harry A. Day, Mng. Dir.

our business organizations or broken down irreparably the morale of the people of the nation.

A veteran in the field of professional baseball recently said:

"Continual defeat does one of two things to a man's soul. Either he becomes resigned to it or fights the harder to get away from it. The fellow who quits becomes just as mediocre as his surroundings."

This statement applies just as truly to everything else in life as it does to baseball. We have not become resigned to continual defeat and now, after some period of seeming lethargy, we are fighting hard to get away from it. In this fight it is necessary that the premises upon which recovery must be based should be sound; and the major premise upon which the others must rest is "profits first." No policy, no plan, no system, governmental or otherwise, which is not predicated upon the consideration that business operation must first of all be profitable, can have any real possibility of success.

Accounting forum

(Cont. from page 22) the client governed to some degree the extent of the accountant's examination. It was also stated that two forms of questionnaire were generally issued—one bearing a statement that the accountant's client had consented to his response to the questions proposed, and a second form, issued in cases where such permission had not been obtained, which made no mention as to whether or not the client had been consulted.

MAILING LISTS

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Get them from the original compilers of basic list information—up to date—accurate—guaranteed.

Tell us about your business. We'll help you find the prospects. No obligation for consultation service.

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60 page Reference
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LIST CATALOG

Shows counts and prices on
8,000 lines of business.

Shows you how to get special lists by territories and line of business. Auto lists of all kinds.

Shows you how to use the mails to sell your products and services. Write today.

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A. H. Lambeck
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Stratton & Terstegge, Louisville, Ky.
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Midwest Piping & Supply Co., 1450 So. 2nd St., St. Louis
Collyer Insulated Wire, 249 No. Main, Pawtucket, R. I.
Gulf States Steel Co., Birmingham, Ala.
1st Wisconsin Bank (Bay View Office), Milwaukee
The Cleveland Trust Co., Cleveland, Ohio
G. E. Supply Corp., Salt Lake City
Normandin Bros., 2719 So. Main, Los Angeles
Lilly Paint & Varnish Co., Indianapolis, Ind.

The accountants present suggested that it might facilitate response by accountants if such questionnaires were addressed to their clients with a request that they be turned over to the accountants for reply. It was pointed out that in a recent communication to listed corporations the New York Stock Exchange had asked certain questions bearing upon accounts with a request that the questions be submitted by the company officers to their independent auditors for consideration and reply.

W. S. Swingle represented the N. A. C. M. at the meeting.

Double check, but no check

Son in college was applying pressure for more money from home.

"I can not understand why you call yourself a kind father," he wrote his dad, "when you haven't sent me a check for three weeks. What kind of kindness do you call that?"

"That's unremitting kindness," wrote the father in his next letter.

—Capper's Weekly

Fire losses drop 36.5%

Fire losses in the United States in April, as reported by the National Board of Fire Underwriters, amounted to \$27,825,950, comparing with \$45,822,233 in April, 1932, a decrease of 36.5 per cent. The total was the lowest for any month since September, 1929.

For the first four months this year losses totaled \$135,356,264, against \$170,060,762 for the corresponding 1932 period, a decrease of 21.3 per cent. This is the best showing made by the fire insurance industry in several years. Since June, last year, the fire losses have constantly shown a decline in total.

CREDIT AND OFFICE MANAGER AVAILABLE

Successful credit man with excellent references. Able to analyze available information on a given risk, arrive at a conclusion as to its desirability and refuse credit tactfully. Can collect and still retain the good will of customer.

Thoroughly experienced in accounting and office management. Of sound judgment, good organizer and systematizer.

20 years' experience with nationally known firm distributing to wholesale and retail trade selling Druggists, Hardware, Jewelers, Chain Stores, Department Stores and all kindred trades.

Now available. No objection leaving New York City. Age 39. Healthy, American, Christian. Any livable salary accepted. Address Box No. P.W. 100. Credit and Financial Management, 1 Park Avenue, New York City.



Our readers think



**I wholly disapprove of what you say and will defend to the death your right to say it.—
Voltaire to Helvetius**

Bonus of contention

Dear Sir:

Apropos of Mr. Edward Seacord's article in the March issue. He raises objections to Mr. Simmons' statements regarding veteran relief and even professes to find something amusing in them. Why not let us all in on the joke and we'll laugh too.

Personally, I don't see anything to laugh at. It is an established fact that there are thousands of individuals receiving government funds who have absolutely no moral right to one cent of compensation.

These training camp patriots are those who are now protesting the loudest because there is now some talk (and will shortly be some action) about cutting them off the payroll where they reside by virtue of a stubbed toe or similar injury received five years after the signing of the Armistice.

I do not believe that Mr. Seacord will find many persons who will argue that veterans who are incapacitated because of injuries or sickness arising out of actual war service are getting any more than that to which they are entitled. The best of everything is none too good for them.

Those chiselers who do not fall with-

in the category are going to be separated from their soft graft and the quicker this separation takes place, the better off we'll be, including the said chiselers. The care of the veteran is a responsibility of the American people, to quote Mr. Seacord. True enough. The trouble lies in that too liberal an interpretation has been placed on what constitutes a veteran.

For the past few years we have fallen into the habit of asking ourselves just how much can we get out of the government. For the next few years, we would do well to ask ourselves how much can we contribute to government, for unless some stop is put to the drain on our national resources there will be an upheaval that will make the Fall of Rome look like a minor accident.

It is the consensus of opinion that we are now flat on our backs and that the only way we can go is up. A good start towards getting back on our feet will be made when the load of unjustified relief payments is removed from the taxpayers and from business. It will probably mean that some of the beneficiaries will have to go to work. Their chances of finding it are better than the chances of those now employed of holding what they have, if this burden is not removed.

NATE P. WHEELER, Ex. A.E.F.
Chicago, Illinois.

Valuable contributors

Dear Sir:

While returning to New York City last night, after having spent several days in our neighboring state, Pennsylvania, I read with considerable interest, your March issue. The information gained by reading your periodical is valuable and you are to be congratulated upon having such valuable contributors.

After having read the monthly letter contributed by Mr. J. L. Wood, General Credit Manager, Johns-Manville, N. Y., I have come to the conclusion that if the preceding ones contained the same pull as this one, I am going to take advantage of your kindness. Will you therefore please send me a series of these collection letters, and I will thank you to kindly address them to my personal attention?

With best wishes for your success in your good work, I remain

Sincerely yours,
W. I. MORGAN, Credit Dept.
The B. V. D. Sales
Corporation of N. Y.

Spreading the good word

Dear Sir:

The March issue of CREDIT came in today. We would like to have the privilege of republishing, with due credit, the article on "Goldfish Technique".

We circulate in our territory, southern Iowa and northern Missouri, a trade magazine, *Drug Topics*, which is published by the Topics Publishing Company, New York City.

In each one of these trade papers going into our territory we have four pages that we can use for insertion of such advertising or reading matter as we desire. We would like to have this article for use, with proper credit, on these pages.

We think this is an excellent illustration, pictured out so plain that "he who runs may read", and as people are thinking more nowadays than they have ever thought before, we are glad to pass on to our customers such an article, that it may help them in clear thinking.

Yours very truly,
W. T. HARPER, Pres.
J. W. Edgerly & Co.
Ottumwa, Iowa

"Thou art the man"

Dear Sirs:

I am enclosing as an entry in your "This Month's Collection Letter" sweepstakes, a letter which I concocted and have been using successfully for some time. (See "This month's collection letter" in May, 1933, issue.)

This is the fifth in a six letter series. Up to and including it we try to retain the customer's good will but if a check is not forthcoming as a result of it, the sixth and last letter is a bald ultimatum stating that if a remittance is not received by such and such a date, the account will be placed for collection with the agency referred to as our "gun" in the preceding communication.

The Cellini episode, related in greater detail in Gardner and Fall's recent excellent work, *EFFECTIVE COLLECTION METHODS*, seemed to me to furnish a strong theme for a convincing next-to-the-last appeal to a tardy debtor.

Without the least idea of tossing a bouquet, let me mention what I consider the letter's salient points.

The anecdote is a happy change from the "You owe us \$125.36", opening; it arouses the debtor's interest. It impels him to read on and leads him to the punch in the form of the analogy between Cellini's gun and the collection

agency which we use. Notice that we don't definitely say we will use it on him—we merely narrate our customary procedure in the case of a debtor who refuses to pay.

The analogy is carried further when we say, "..... it makes a big noise." The debtor gets the point; he knows that we infer that enforced collections are bruited about credit circles by means of trade reports, agency lists and court records to the detriment of his credit standing. In the same way when we say, "..... somebody always gets hurt," he realizes that it is a case of "Thou Art The Man"—we mean him—and he usually comes across.

Very truly yours,

CHARLES F. KUDER,
Schuylkill Valley Mills, Inc.
Spring City, Pa.

Monthly statements

Gentlemen:

On page 29 of your April issue you report the experience of Mr. Gardner W. Prouty, Secretary of the Macallen Company of Boston with reference to statements.

We discontinued statements in February 1932 and since that date as customers ask for them, have put their name on the list to receive statements.

Only 3% of our customers require statements based on their request, so that the savings in work, stationery and postage by elimination of statements for 97% of our trade runs up into a very substantial figure.

C. J. LANDEN, Treasurer
Sterling Paint & Varnish Co.,
East Boston, Mass.

Right you are,
say we

Dear Sir:

As a reader of your magazine I cannot help but get the idea that you, your associates and many credit men think they are of some importance to a commercial concern; also that yours is a profession—calling for training, experience, education, etc. and that a capable credit man can save his company his entire salary by saving of bad debts and customers.

May I therefore ask you why does the average corporation pay their credit men on a par with their truck drivers and clerks, treat them even worse, but the same corporation will pay a half-wit salesman, or shall I say four-flusher, hot air artist or what have you—a salary of anywhere from \$250.00 to \$1,000.00 per month (Cont. on page 37)

The retailer speaks again

by BRACE BENNITT
N. A. C. M.

I am still a retailer—and glad of it. In my twenty years of business I don't know when I have looked to the future with more confidence and optimism than I do now.

Just lately I have had two happy experiences. The first occurred a little while ago when the President of one of the houses from whom I used to buy a lot of goods called on me personally. I had known him in the old days when he was traveling on the road. We had a heart to heart talk, chiefly on the matter of getting together again. I learned what he had been up against and he learned why I haven't been buying from his house lately. It did my heart good to have him take the bit in his teeth and decide that he was going to be consistent in his credit policies from now on. I knew that took courage and I admired him for it.

Several days after he left I got a circular letter from him addressed to all of his trade. It stated that his house had in the past been guilty of credit inconsistencies and from that day on it was going to maintain the same terms and credit policies with every one of its customers. He made one proper proviso—any time one of its customers was the victim of extenuating circumstances, his house was willing and wanted to talk it over and co-operate as the circumstances might warrant. So I know now that I, and my competitor across the street are getting the same credit deal and still have a fair hearing if some unusual emergency comes up.

I have just come home from the second happy experience. Imagine me, a little retailer, being invited to talk at a big convention of manufacturers and wholesalers of the goods I handle! They asked me to talk on the subject of "The Good Customer". Well, never mind what I said. It wasn't much, except that I do contend I had my heart in my

subject. The big thing about this trip was that I found my old friend did not have to "go it alone"—that a great majority of the other manufacturers and wholesalers had "gone and done likewise". It took some organization, I know, and a whole lot of co-operation, but now they are sure pulling together—the same credit deal to all their customers; the good one is getting fair play and the bad one will either become a good one or he will have a hard row to hoe, I guess.

They tell me that they have made a definite organization for this purpose. Their credit managers meet regularly to go over their mutual problems, to handle collectively the emergency cases, to keep right up to date on all that is going on with their customers and with general conditions, and (Cont. on page 37)

A Partner's Worth

Your partner, —would you miss his skill, his counsel, his sales or managerial ability if his services were suddenly lost to your business?

To-day, as never before, you need to ensure to your business the financial value of one or both partners. Let a John Hancock representative outline a plan of business life insurance for your company. Your banker will approve.

John Hancock
MUTUAL
LIFE INSURANCE COMPANY
OF BOSTON, MASSACHUSETTS

A mutual dividend-paying company 70 years in business. Among the strongest in reserves and assets. Paid policyholders in 1932 over 100 million dollars. Offers every phase of personal and family protection including Annuities and also Group forms for firms and corporations.

C. M. 8-33

"Meet me in Milwaukee!"
Week of June 19th

When writing to John Hancock, please mention Credit & Financial Management

Notes About Credit Matters

Credit illiteracy

The industrious Credit Economics Council of the Los Angeles Credit Men's Association recently prepared and released a statement on "Credit Illiteracy" declaring that "credit has become the prevailing medium for affecting exchanges in present-day commerce" and that "expansion of credit proceeded faster than the general knowledge of its contents and service uses". The Council believes that this has developed "a credit illiteracy responsible for over-indulgences and excesses that eventuated in a volume of long-term and short-term credit obligations beyond the capacity of productive capital to carry". In support of this, it cites the exhilaration of the 20's and the recurring tremors in the top-heavy credit situation since 1929.

"Reconstruction has set in," the Council declares, "but the new building will not be permanent unless at its base there is an underpinning of credit literacy and wisdom." With that in mind the Council offers four recommendations for relief of credit illiteracy:

- (1) Teaching of credit and its importance today in private and public schools, both elementary and advanced.
- (2) Recognition by mercantile and financial executives of the protective and productive powers of a well-controlled credit department without subordination to sales or production.
- (3) The abolition of the term "credit granting" because credit is coined by the buyer, not by the seller.
- (4) Establishment of branches of the National Institute of Credit by every local association of credit

men "to encourage foundational training in credit."

Association awards

The annual American Trade Association Executives Award for outstanding service among trade associations was won this year by the Cotton Textile Institute, and presented on May 3 by the Secretary of Commerce, Chairman of the Committee of Award.

Honorable mention was given to the National Retail Dry Goods Ass'n, the American Dry Milk Institute, the Southwestern Ice Manufacturers' Ass'n, and the Tanners' Council of America, Inc.

Other associations mentioned as having done work worthy of commendation included United Typothetae of America, Milk Research Council, Inc., Dairy and Ice Cream Manufacturers' Association, the Better Vision Institute, the American Home Economics Association and the National Association of Credit Men.

Attorney fees

Cluett, Peabody & Co. has written S. J. Eisenberg, Eisenberg & Sons, N. Y., endorsing his attack on the liberal fees secured by attorneys who file bankruptcy petitions. It states that recently it instructed its credit men to protest against fees "when they seemed exorbitant," as most of them do, and the firm thinks that "if other credit men adopted a similar practice, something constructive would be accomplished."

The company also declares itself categorically in accord with his view on attorneys serving on creditors' committees, saying: "It has been our experience that in most large market centers these attorneys dominate the situation and the average creditors' committee, especially in New York, is in no sense a creditors' committee but a committee of attorneys with a few credit men who are gullible enough to lend their names promiscuously and consent to serve on committees. As a general rule, it has been our observation that the credit men do not function as active members of the committee, thus permitting the attorneys to gain full control."

"Our experience on the West Coast has been more satisfactory than elsewhere with respect to the average amount of recovery from failures. This is because credit men out there take an active interest in failures and will not permit attorneys to gain control of any failure."

Credit careers



LAWRENCE WHITTY

It is with deep regret that we announce the death of Lawrence Whitty of Chicago, one of the Association's outstanding leaders and supporters. Mr. Whitty was the third credit leader we were honoring in our monthly "Credit careers" series. The unhappy news of his death reached us just before this issue of the magazine went to press.

The Association has lost a great leader and a great friend. In 1902 at 19 years of age, while the credit manager of John L. Bobo and Company, Mr. Whitty became affiliated with the Chicago Association of Credit Men and had been continuously active in Association work ever since. He was elected a director of the Chicago Association in 1914, serving until 1918 when he was elected 2nd Vice-President. The following year he succeeded to 1st Vice-President and was then elected President of the Chicago Association for the fiscal year 1920-21. Mr. Whitty was elected to the Board of Directors of the National Association in 1924 and was re-elected during two succeeding years. At the Minneapolis Convention in June 1929 he was elected President of the National Association. During his administration, through conference with President Hoover, he arranged for the Mercantile Credit Survey covering 25 trade divisions in the manufacturing and wholesaling lines. The result of this survey has recently been published in pamphlet form.

Mr. Whitty was one of the fathers of

the N. A. C. M.'s Credit Interchange System. He was a member of the original Interchange Committee which laid out the first plans for the present system of national ledger clearance.

In his business career, after leaving the John L. Bobo and Company, he became associated with Schoenbrun of Chicago, tailors to the trade, continuing with them until he became Secretary of Ed. V. Price and Company, one of the leading tailoring houses of the country. In 1930 he went with the Consolidated Millinery Company of Chicago, in charge of financial management and was still acting in that capacity at the time of his death.

Mr. Whitty is survived by his wife, Katherine Callahan Whitty and a sister, Mrs. Charles S. Upham, both of Chicago. Every member of the Association sympathizes with them in their bereavement. It would be futile to try to express in words the great loss suffered by the Association in the death of Lawrence Whitty, but he has left behind a deep imprint upon the annals of the National Association of Credit Men. He will be forever remembered by his associates as a real friend, a successful executive and a great and unselfish leader in the credit fraternity.

Louis Fleisher

We learn with sorrow of the death of another of the N. A. C. M.'s pioneer leaders. Mr. Louis Fleisher of Philadelphia died on April 1 at the age of 82. He was active in the Association's affairs for many years besides being engaged in clothing manufacturing, banking and civic affairs which included the post of Treasurer, Board of Philadelphia County Prison Inspectors, for almost two decades.

Visitor

The National office was honored during May by a visit from Mr. W. B. Layton, Counsel of the Portland Association of Credit Men. Mr. Layton came from Oregon to Washington, D.C. to represent the National Association of Credit Men at a bankruptcy revision conference. Mr. W. Randolph Montgomery, Counsel for the National Association of Credit Men, also represented the Association at this conference. Following the completion of his work in Washington, Mr. Layton came on to New York, where he spent several days on Association business.

Bankruptcy

Chicago, May 1.—President Roosevelt was today urged to put his force

behind the revision of the National Bankruptcy Act as being the solution of the problem confronting bondholders and owners of real estate properties now in receivership. In a letter to the President, the Joint Committee for the Revision of the Bankruptcy Law, together with the Chicago Association of Commerce, and the Chicago Association of Credit Men, urged that he demand the enactment of the amendment, on the ground that it was essential to the proper reorganization of the properties represented by more than \$1,300,000,000 of first mortgage bonds.

Natl. Retail Credit Convention put off

St. Louis.—The 1933 convention of the National Retail Credit Association, which was scheduled to be held in Memphis, Tenn., has been postponed for one year, it was announced by David J. Woodlock, treasurer-manager of the association. The board of directors will meet at the national offices of the association in St. Louis to plan for the activities during the fiscal year.

"Probably the most serious problem ever confronting the board of directors of the association was deciding to postpone the convention," said Mr. Woodlock in a formal statement on behalf of the board.

"An unusual paradox was presented in that business conditions indicated there never was a need for greater study of credit problems, yet the directors could not overlook the policy of retail store owners calling for the most rigid economy."

Collection, sales survey

(Continued from page 21)

SOUTH DAKOTA: Considerable improvement has been noted in sales in Sioux Falls.

TEXAS: Collections in El Paso show slight improvement, but there has been a marked improvement in sales.

MINNESOTA: Minneapolis reports the following: "Because of the relief measures which are in effect in the State of North Dakota, sales and collections have been restricted very materially. The ill effects of this legislation and of proclamations made by the Governor in the interest of relief are somewhat offset by the favorable increase in price of grain and the bountiful rainfalls which have been quite general. In Min-

nesota there is evidence of an encouraging increase in sales."

"Meet me in Milwaukee!"
Week of June 19th

Legal reserves for industry

(Cont. from page 18) as the broad base of world depression would make its influence felt, but fortified with resources at hand, business would have been free and relatively powerful and able to reform its lines of production and market adaptation and we should not have had ten million American wage earners crying, not for bread, but for honest work.

The breakdown, if serious, would not have been so calamitous and it is a fair expectation that the depression would have been, in America, neither so prolonged nor nearly so severe and destructive. The peoples of the earth, certainly of the Western world, since the great war, have new views of life and society and of the social obligations of wealth and of capital ownership.

Even if we must disagree with their contentions in detail, and in various particulars, or even in principle, the reasonable demands and expectations of forty-five million wage earners must be respected.

Perhaps a little later in history, it will not seem so strange to hear men say they have a right to a job; they have a right to the opportunity to earn a living and that if the right to ownership of capital shall be respected, the obligations of that ownership society-wide must be not only acknowledged, but practically dedicated first to broad social advantage, and after to ownership emolument.

A new state of industrial and political mindedness is entering into the thoughts and opinions of people everywhere and some measures of new departure in business which shall provide the desirable and essentially necessary quality of security, is at least well worthy of serious consideration and adoption.

Security for capital and business ownership; security for the employed in their employment; security for the unorganized mass composing the vast consuming public!

Why not a "legal reserve" for commerce and industry? Why not?



Paging the new books



Reviews of the important books on business, to aid executives whose reading hours are limited.

This month's business book

THE PROGRAM FOR THE WORLD ECONOMIC CONFERENCE, with an introduction by James W. Angell, Professor of Economics, Columbia University. World Peace Foundation, 40 Mt. Vernon Street, Boston, Mass. \$1.00.

If you wish to have a comprehensive and intelligent understanding of the coming World Economic Conference you should by all means procure a copy of this World Peace Foundation publication. Professor Angell of Columbia University, in his introduction, gives the background of the work done by the preparatory commission of experts which prepared the draft annotated agenda of the monetary and economic conference. In this introduction he takes up in a general way the proposals of the commission and explains clearly the vast importance of this conference.

Following Professor Angell's introduction a complete transcript is given of the subjects proposed for discussion and the problems set forth for solution at the conference. However, this agenda is much more than a program. It is a fundamental analysis of world economic ills and actually points out and describes suggested remedies and cures for our international complica-

tions. A brief study of this 93 page book will clarify all matters pertaining to the World Economic Conference.

—CHESTER H. MCCALL.

Comprehensive

FOREIGN EXCHANGE. By A. C. Whitaker. D. Appleton & Co., New York. \$5.00.

Today, no subject is of more fundamental interest than foreign exchange, one in which comparatively few, unless directly engaged in foreign banking or foreign trade, have anything but a very superficial knowledge. Therefore, this revised and enlarged edition of "Foreign Exchange" by A. C. Whitaker, Professor of Economics at Stanford University, is a timely publication.

In the revised edition of this book, the author in addition to dealing with the fundamental background of foreign exchange, has added new sections on present methods of quoting exchange rates, central banking methods, and the gold movements. Further, he has brought up-to-date the history of exchanges during and after the World War. • The book is fundamentally a text book on Foreign Exchange and covers the subject thoroughly in twenty-three chapters.

In treating this important subject, the background is laid through information on the means of payment of commercial paper, bills of exchange, drafts, etc., carrying on to negotiability of commercial paper. Further discussion is given on the interest and discount with tables and formula, as well as illustrative problems so that the relation of these points to exchange may be thoroughly understood.

Following a general treatment on commercial banking, the author then deals with various rates of exchange and further develops the use of the documentary trade bill as well as the general documents necessary in transactions between countries working on different monetary systems which lead to the movement of foreign exchange.

Bank credits are dealt with thoroughly both from historical and practical application, on which a thorough exposition is given of the various letters of credit and instruments of a similar character founded on bank responsibility in international commerce. One chapter deals with the relation of the money market and exchange rates of time bills, particularly pointing out the position of various types of banking in the money market and the exchange field, and

their activities in the exchange market.

At this time the general public interest in gold, gold movements and devaluation of currencies is of particular interest, and the treatment of monetary standards, various gold prices and monetary systems is well worth study. The author covers fully private gold movement, central banking and also a theoretical discussion on the various exchange systems and the relation of rates in the exchange market.

With the current realization of the importance of international trade and foreign contacts to our own domestic situation, it is a treatment of the subject which will be well received not only by those engaged in foreign trade activities, but also those in the domestic business who are directly or indirectly affected by the movement of foreign exchanges.

—W. S. SWINGLE.

Loose-leaf

THE BANKRUPTCY ACT. By Saul Gordon, Prentice-Hall, Inc., N. Y. \$10.00 with supplements up to June 1, 1934.

A new work prepared by Saul Gordon and published by Prentice-Hall, Inc. on Law and Procedure under the Bankruptcy Act as amended to date will be a welcome addition to the desk libraries of many attorneys and credit men. The book is in loose leaf form giving the entire text of the present Bankruptcy Act including the amendatory provisions of 1933 styled "Provisions for Relief of Debtors."

There is included, in addition, the New General Orders of the Supreme Court and New Forms prescribed by that tribunal, as well as current annotations. The general objects and scope of the new law as outlined in the United States Senate is made a part of the book, and in addition its constitutional aspects and the procedure to be pursued in taking advantage of its remedies.

Additional material, to be added to the book, is contemplated including a comparative study of prior bankruptcy laws and digests of all cases decided under the Bankruptcy Acts since the amendment of 1926.

The handy form of the work and the possibility of keeping it up-to-date by the addition of the new material will commend it to the use not only of attorneys but American business men generally.

—WALTER C. FOSTER.



"Meet me in Milwaukee!"
Week of June 19th

CREDIT and FINANCIAL MANAGEMENT JUNE, 1933

Ancillary receivers limited hereafter

The number of receivers chosen throughout the country for the same bankruptcy concern will be greatly reduced under an important order issued by the Supreme Court on May 15 on application of New York lawyers.

Under the custom that has obtained, when chain stores or other linked establishments have gone into receivership, ancillary receivers and incident attorneys could be named by the court in any district where the branches of the bankrupt concern were situated. This practice has led to great expense.

The order read:

"No ancillary receiver shall be appointed in any District Court of the United States in any bankruptcy proceedings pending in any other district of the United States except (1) upon the application of the primary receiver, or (2) upon the application of any party in interest with the consent of the primary receiver, or by leave of the court of original jurisdiction, or a judge thereof.

"No application for the appointment of an ancillary receiver shall be granted unless the petition contains a detailed statement of the facts showing the necessity for such appointment, which petition shall be verified by the party in interest, or the primary receiver, or by an agent of the party in interest or primary receiver specifically authorized in writing for that purpose and having knowledge of the facts.

"Such authorization shall be attached to the petition."

As an example of the cases they had handled where unnecessary ancillary receivers had been named, the lawyers cited the following with the number in each case:

Schulte United, Inc., 24; Miller's, Inc., 22; Retail Chemists' Corporation, 5; Snyder's Hat Stores, Inc., 13; United Cigar Stores Company of America, 8; McLellan Stores Company, 17; McCrory Stores Corporation, 6; Louis K. Liggett Company, 4.

In each of these cases, it was said, the primary receiver was in position to control all the affairs of the bankrupt estate through the main office of the bankrupt, pending election of a trustee.

Under the head of waste, the petition said that in the case of Schulte United, Inc., ancillary receivers received \$40,883 in fees, their attorneys \$34,999, attorneys for petitioning creditors \$1,125, and referees in districts other than that of primary jurisdiction \$1,379.



E. H. GARDNER



FRANK A. FALL

"This book has materially improved our collection results . . ."

—Aaron Lenzer
David Lenzer & Sons, New York

HERE ARE just a few more extracts from scores of letters enthusiastically praising Gardner and Fall's new book **EFFECTIVE COLLECTION METHODS**: "One of the letters brought in \$100 on the first old account it was sent out on"—Joseph H. Seymour, Assistant Treasurer, F. E. Powers Company, Worcester, Mass. "I didn't have it two weeks before it had paid for itself many times over"—H. S. Thomas, President, Thomas & Crabbe Baking Company, Bridgeport, Conn. "This is the best book I have found for practical use."—F. O. Lewellen, Credit Manager, W. A. McNaughton Company, Muncie, Ind. "One of the best helps we have in our collection department"—J. B. Haberer, Boston Store Dry Goods Company, Fort Smith, Ark.

YOU, TOO, will find that *Effective Collection Methods* will improve your collection results, whether your business is large or small. It is filled with ideas and methods that are being used successfully right now in concerns of every kind and size. They produce results wherever skilfully and energetically applied.

No matter how good your present collection policies and methods may be, you will find it distinctly worth your while to check them against the ideas that are described and explained in this new book. You will find material to help you whether you merely want to adjust points of detail or whether you want to rebuild your entire collection routine.

THIS IS a thorough, organized presentation of up-to-the-minute methods that collect money without cutting down sales or losing good will. The acid test of practical experience under present conditions has been given to every idea described.

The procedure behind successful collection work is thoroughly treated. Actual collection policies and methods of every type of business are described and explained. The use of various effective appeals is illustrated by examples. Office system for collection work is thoroughly covered.

Effective Collection Methods shows the practical application of the principle of resale in modern collection work. It breaks down the collection process into six distinct stages and points out the most effective action to be taken at each stage.

AS A great proportion of collecting is done by mail, exhaustive treatment is given to collection correspondence. 265 complete letters that have proved particularly effective are reproduced, as well as hundreds of extracts. They show how to handle any situation with which you are likely to have to deal. In each case, sufficient explanation of the surrounding circumstances is given so that you can see at a glance whether a similar letter is likely to prove equally effective in the case with which you are dealing.

Collecting by telephone and telegraph, instalment collecting, procedure in special types of business, and legal aspects of collecting are all included.

Regardless of the nature of your collection problem, you will find in the pages of this book specific suggestions and ideas to help you get better results.

THOUSANDS OF credit executives—including hundreds of members of the National Association of Credit Men—are already using *Effective Collection Methods*. So that you can see how useful it will be to you, too, we will gladly send you a copy—at our risk, without advance payment, and delivery charges prepaid—with the privilege of five days' examination before you need decide whether to keep it.

Just one account collected through the use of a suggestion obtained from this book will repay you its small cost many times over. Fill in and mail the coupon below—the book will be sent to you by return post.

EFFECTIVE COLLECTION METHODS

By E. H. Gardner

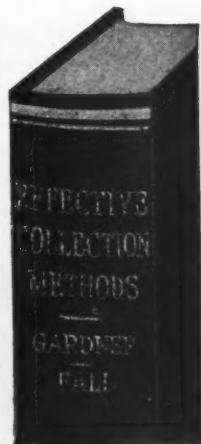
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Answers to credit questions

Conducted by Walter C. Foster

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest are printed regularly in *Credit and Financial Management*. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of law involved.

Lien law—New York

Q. Have you any information regarding an amendment to the Lien Law whereby it is compulsory to pay 25c each where receipts are issued by County Clerks for documents left for filing?

A. Section 234 of the Lien Law of New York provides that the several clerks and registers outside of the City of New York shall be entitled to the following fees: For filing chattel mortgage, renewal, release, assignments of satisfaction thereof, each 25 cents.

So far as we have been able to determine, this section was not amended by the 1933 Session of the Legislature and this has been the law since July 1st, 1926. Prior to that date, the section provided that the County Clerk should be entitled to 6 cents for issuing a receipt for filing a chattel mortgage. There is no fee provided in Section 234 as it now stands for issuing a receipt for a chattel mortgage left for filing.

Conditional sales contract

Q. Is there a conditional sales contract form that would be valid in every State, or is it necessary to have an individual form for each State? Also, would it be possible to print one form of acknowledgment that could be used in all of the States requiring acknowledgment, or if this is not practical, is it necessary to use for each State the specific form shown in the *Credit Manual*?

The *Credit Manual* for 1933 sets forth in the summary of the Conditional Sales Laws for each of the States, the statutory requirements with respect to acknowledgments. Where a form of acknowledgment is suggested, it should be strictly followed. The various State requirements differ in many of their particulars, and we do not believe it would be possible to work out a single form which would be applicable in all States. We suggest that the practical thing to do is to print a contract without the acknowledgment, and type the acknowledgment separately on each individual contract.

A. The form of conditional sales contract printed in the *Credit Manual* is, so far as we are advised, valid in all States in which conditional sales contracts may be used. However, if a transaction involves any substantial sum of money, prudence would suggest having the form approved by counsel in the State in which it is to be used.

The forgotten creditor

(Continued from page 9) Moreover, our greatest disappointments arose from experiences with repeating offenders whose successive offenses were frequently punished with less severe penalties than their prior offenses.

5. If relief is to be granted to debtors without adjudging them bankrupts then every conceivable safeguard should be employed to insure that debtors have made full and accurate statements and have surrendered all their property.

6. It is conceivable that this new phase of relief activity will encourage many who are not managing to carry along to give up their battle and follow the lines of least resistance. This will result in large amounts of write-offs and not improbably a lessening of that highly important intangible basis of credit relations that we call the character risk. We must do all within our power to dissuade debtors from using these new legal provisions as an excuse to evade their reasonable responsibilities.

Up to this point my opinions have had to do largely with the insolvency problem as it relates to involvements in which we are already concerned. It seems to me, however, that now, more than ever, we have an opportunity to discuss the possibility of avoiding many of those involvements or at least reducing the number which might ordinarily occur. In other words, more attention to prevention will necessitate less worry about cure.

For some time there has been developing an unfortunate tendency on the part of business men to settle upon a policy of administering their credit activities along industrial group lines. The unfortunate aspect of this has been that the attitude of self-sufficiency of group information has been assured.

Too little thought has been given to the fact that competition is no longer largely intra-industrial, but rather has become inter-industrial. There is a great overlapping and invasion of markets. The druggist sells general merchandise, the ice cream company sells drugs, the hardware store sells radios and the radio store sells refrigerators and so on all along the line.

If, therefore, we establish narrow industrial groups for the purpose of collecting and disseminating credit information, the members of that group se-

cure at best only a partial picture of their risks. Moreover, if group action is planned along rehabilitation and conservation lines, there is no assurance of sufficiently representative coverage of creditor interests to guarantee against counter action inimical to the best interests of all concerned.

I declare to you that we must have more creditor cooperation than ever before and that creditor cooperation must be more representative than we have known. It must be a coordination of all creditor groups under a centralizing medium which will prevent confusion and cross-purpose action otherwise likely between groups.

The credit groups movement has grown by leaps and bounds during the last four years. It has been found functioning under Trade Associations, under Mercantile Agency control and most prominently under the system established by the National Association of Credit Men.

It is likely to grow even faster now that there is an evident disposition by the government to forestall the restrictive provisions of the Sherman and Clayton acts and to permit greater cooperation between competitors in correcting the suicidal practices of competition so deplored and so publicised of late. As those new groups are formed for purposes other than credit activities it is more than likely that inevitably many of them will develop credit controls and so we may have a heterogeneous mass of credit groups, none of whom can be as successful as they could be were coordinated.

I ask your indulgence for alluding again to the National Association of Credit Men, whose credit groups are linked together by means of the great national ledger experience interchange system and the national liquidating and rehabilitation system under its sponsorship and control. Under such a system as this all trade association and other group activities are tied together and a more complete picture of conditions is possible with more representative action at all times.

It must be evident to all of us that as officers and executives of our respective houses, we must give more thought to credit problems in the future and a greater recognition to the importance of our credit departments, not merely as protective media, but also and equally as promotional and developmental media.

If we are to be successful in promoting our manufacturing (Cont. on page 37)

RETAIL CREDIT COMPANY
CHARACTER CREDIT REPORT



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Insurance digest

Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

Haid says fire insurance is safe

Notwithstanding the depreciation of securities and despite the substantial reduction in income with its attending increased expense ratios, the fire insurance companies as a whole are in a strong financial position and are able to afford ample protection to their policyholders, Paul L. Haid, President of the Insurance Executives' Association, said in an address before the insurance round table conference of the Chamber of Commerce of the United States in Washington, D. C. The present insurance system, he asserted, developed through many generations, is essentially sound.

"The fire insurance companies are proud of the good record they have made," Mr. Haid said in concluding his talk; "proud of the confidence the public is showing in them, anxious to enjoy the continued confidence of the public and determined to deserve continued confidence through the faithful and intelligent discharge of the great trust imposed upon the institution of fire insurance."

Answering the question of how fire insurance has been affected by the depression Mr. Haid said the direct and most telling effects have been the depreciation of securities held for investment, a lessened investment income and a substantial reduction in premium income. Premium income had fallen more than \$100,000,000 a year for the last three years. Whereas the income in 1929

of all fire companies was \$1,005,000,000, by 1932 this had fallen to \$672,000,000. For the first quarter of 1933 premiums are off about 10%.

For the last three years company managers have consistently fought to reduce expenses to the level of the diminishing income. Not all expenses are easily controlled and some are beyond control, notably taxes, Mr. Haid stated. An analysis by the Chamber of Commerce of the United States shows that less than 5% of the taxation levied upon insurance companies is spent for service to policyholders. The Chamber of Commerce has for years maintained that insurance should not be taxed more than the reasonable cost of defraying the expense incident to the protection and regulation of the business for the benefit of policyholders.

Nevertheless, the burden of taxation has increased and Mr. Haid pointed out that at the present time many companies doing a typical country-wide business are paying out in taxes 5% and, in many cases, higher percentages of their net premiums. He said that these taxes would be more burdensome yet were it not for the strong position taken by the Chamber of Commerce.

"With expenses that are susceptible to control the companies have cut deeply and are observing the thrift and prudence expected of good business management," continued Mr. Haid. "Salaries generally have been reduced. The operating costs of the various rating and inspection and other supervisory agencies supported by companies have been reduced more than 20%. The expense of field and office supervision has been substantially curtailed. The business both of the individual company and of the organizations it supports is being thoroughly overhauled for the purpose of eliminating unnecessary expense."

"A very important measure of economy undertaken by the companies is an endeavor to eliminate the waste occurring from policies 'not taken' after they have been in force for several months, and to eliminate 'free insurance.' The companies have had excellent co-operation from local agents and through this activity it is quite possible to effect a substantial saving. Very briefly, the companies have taken the position that policies held by an assured for any appreciable period must be paid for, and the agent is held responsible for the earned premium on such contracts."

"There is a vast amount of detail

work connected with the insurance business which continues despite the curtailed income. Large numbers of policies during the past three years have been renewed on an annual basis instead of for a period of three or five years as heretofore. The handling costs of business so written is no less despite the fact that the premium is only approximately 40% of the term policies.

"Many underwriters have also reached the conclusion that the business has gone too far in attempting to measure the fire hazard scientifically. For this purpose schedules were developed with refinements beyond reason, and there is a growing conviction that such detailed analysis of rates is unnecessary. Simpler and shorter systems for computing rates of fire insurance seem desirable. Something has already been accomplished towards the preparation and application of simpler schedules, and if the trial is successful, as I think it will prove to be, a very substantial economy will be realized. The companies are also committed to simplified forms, rules and clauses. The lack of uniformity in forms commonly in use throughout the country is largely owing to varying provisions in the statutes of the several states. An earnest attempt is being made to achieve such uniformity as is possible under the great handicap of these restrictions."

"For the past three years the outgo of fire insurance companies from underwriting operations has each year exceeded the income and in 1932 the outgo of companies generally was approximately 110% of their income. Realizing that the payment of losses is by far the largest single item of outgo, the companies have more definitely concentrated their attention to the adjustment of losses and to the expense necessary thereto."

"The stock fire insurance companies, members of the National Board of Fire Underwriters, consolidated a number of their loss adjustment bureaus and organized under a national organization, thereby effecting a more efficient and more economical adjustment of losses. This bureau, under the direct management of the chief officials of companies, promises substantial savings in the expense cost of loss settlements through the elimination of waste which frequently characterizes the handling individually by companies of loss claims."

"Fortunately, careful underwriting was exercised by the majority of companies before the depression and it has naturally been continued and in most

cases improved. More fortunately still, the fire losses have kept within reasonable bounds. On the whole, except in certain cities that are running alarmingly high records, the loss record has been not unusual for a depression period. The total fire loss of the country diminished in 1931 and again in 1932. It has been remarked that this is the first time in the history of the country when a serious business depression has not been accompanied by greatly increased losses among manufacturing and mercantile properties.

"The result of the depression has firmly convinced underwriters that the general level of fire insurance rates cannot safely be lowered and that substantial increases are necessary on certain conspicuously unprofitable classes of business.

"It is no secret that many unprotected classes of business are written at an underwriting loss. This condition cannot continue indefinitely and substantial relief is necessary. The average annual rate charged for fire insurance has been steadily diminishing not only during the past three or four years but during the past quarter century. The rate of decline has probably been too fast and undoubtedly has gone too far.

"The records of the National Board of Fire Underwriters show that the average annual fire rate in 1921 was 96.9, for 1926 the average annual rate was 86.2, and in 1931 the average annual rate was 73.3 or a difference in ten years of 23.6.

"Admittedly a portion of this reduction is warranted due to improved construction, the installation of automatic sprinklers and the improved fire protection of cities. However, this trend in rate reduction indicates fire insurance companies' willingness to charge only the rates necessary for the indemnity sold. However, safety does not lie in rates reduced to a lower level. * * *

"Perhaps the public is not fully aware of the meritorious services performed by the companies, but I believe that because of the manner in which the insurance companies have withstood the results of the depression the public has a greater respect for the institution of insurance."

The retailer speaks again

(Continued from p. 29) to exchange all of their mutual experiences. So every one knows what all know and each has the confidence that the other is conducting

his business on the same uniform basis.

Well, it looks like we are all a happy family again—the manufacturers and wholesalers, like my old friend; the bankers, like my neighbor (I told him all about this, and how pleased he was!) and the retailers, like myself. I know we all will still have to fight for business but it will be a fair fight and if we don't stand up under it, it won't be because the game wasn't played according to the rules.

Our readers think

(Cont. from p. 29)

and expenses, think they are getting him at a bargain and after a year or so, find out he is no damn good—but they let him go and hire another one at a bigger salary and so on and on.

What do you do to help the credit man get a living salary or a little respect? It does no good to tell the credit man just how valuable, capable, etc. he is, when the owner or president of the corporation thinks the credit man is not necessary or classifies him with shipping clerk, truck driver, etc.

Perhaps they should be so classified—if so—then the quicker the credit man gets wise to himself, the happier he and everyone else will be. Why not try and get the executive credit minded or rather sold on the idea—a real credit man is worth more than \$150-\$200 per month. What say you?

Sincerely,

HARRY PETERS,
Los Angeles, Cal.

Builders—not bankers

(Continued from page 19) industry. As a result of their experience during the last 173 years, life insurance companies have been able to calculate each year approximately how much money they would be called upon to pay out in that year. So they arranged their investments with those facts in mind and were able to make long term investments with safety.

Yet, they almost invariably invested a considerable portion of their assets in short term securities in order to cover just such emergencies as the life insurance companies have been called upon to meet during the last three years.

Most of the states have passed rigid laws to assure the stability of their life insurance companies. Typical of these is the Indiana law, which prohibits any life

I. A. C. postponed

As the result of a mail vote of the Executive Committee of the Insurance Advertising Conference, it has been decided to postpone indefinitely the annual meeting scheduled for Chicago in September, it was announced recently by Pres. Stanley F. Withe. This is in line with action taken by many similar organizations, and it is believed will meet with the approval of the majority of the life, fire, and casualty companies represented in the Conference.

The forgotten creditor

(Continued from page 34) and distribution we must improve the avenues along which our trade shall move. Obviously, the foundation of those avenues is credit. That foundation must be strengthened. It must be protected. And the way above it must be made straight and smooth.

We are the builders. By our work we shall be known and, upon it, judged.

insurance company in that state from investing more than one per cent of its assets in the securities of any one corporation or from holding more than two per cent of the securities of any single corporation.

Under such a law as this, the investments of the life insurance companies must be diversified, and diversification of investments makes it extremely difficult for the funds of a life insurance company to be used for the benefit of any designing group of men.

These are some of the factors which explain how the life insurance industry has been able to weather the economic storm. They also explain why the individual life insurance companies have been able to keep their assets sufficiently liquid to meet their obligations, which included the unprecedented demand for policy loans.

As another interesting feature of the insurance situation, life insurance companies have been expanding their assets by increasing their income at a faster rate than they have increased their disbursements. The total income of all American life insurance companies in 1911 was \$836,000,000 and their total expenditure \$580,000,000—an excess of income over expenditures of \$256,000,000. In 1921, this excess had grown to \$662,000,000; and in 1931 (during the depression) this excess of income over expenditures had leaped to \$1,313,000,000.



Court decisions



JUDGMENT ON PROMISSORY NOTE. BANKRUPTCY. NEW PROMISE TO PAY. (DELA.) Action based on a judgment entered on a promissory note given by the defendant to the plaintiffs in the Superior Court for Sussex County. Defendant was adjudicated a bankrupt by the United States Court for the Eastern District of Virginia. Defendant stated to the plaintiffs that, though he had been adjudicated a bankrupt, it did not affect them, and then said, "I owe you a note and I will pay you".

Held that a discharge does not extinguish the debt but merely bars the remedy thereon. The defendant does not deny that he expressly promised to pay the plaintiffs' debt but claims that the action must be on the new promise on which their rights are based; and that as such promise was made in the State of Virginia, by the express provisions of a statute of that state such promise, to be effective, must be in writing. In this country it is clear, however, that no new consideration is necessary to support the promise of a bankrupt to pay a debt the mere collection of which has been barred by the Bankruptcy Act. Bankruptcy being a defense theoretically, at least, it should have been pleaded as such and a new promise set up by the plaintiffs in a replication to that plea, but it is not contended that the mode of pleading adopted by the plaintiffs whereby the defendant's defense is anticipated was not permissible. The question being merely as to whether the plaintiffs had a remedy for the collection of a Delaware judgment it also necessarily follows that the statute of Virginia has no application to this case. Judgment for plaintiffs. *Tubbs et al. v. McCabe*. Dela. Superior Ct., Sussex County. Released March 22, 1933.

RECLAMATION PROCEEDING. CONDITIONAL SALE OF STOCK AND FIXTURES OF STORE. VALIDITY AS AGAINST CREDITORS OF VENDEE. (CONN.) Petition to review the report of the Special Master denying a petition for reclamation filed by Lathrop, who on March 17, 1926 sold certain personal property to the bankrupt on conditional sale. The contract was recorded on July 31, 1926, more than four months after its execution. The Special Master found that the failure to record the contract until more than four months after its execution amounted to a failure to comply with the provision requiring such contracts to be recorded within a reasonable time. The Connecticut Supreme Court does not appear to have passed upon this question.

Held that if this was the only question presented by this petition for review the petitioner's claim would have to be sustained. The property sold is described in the contract as fol-

lows: "The fixtures, drugs, goods, chattels and good will belonging to the said Lathrop and located in a block belonging to said Lathrop in Simsbury." As to the stock, none of which can be identified as being in the store in 1926 and the subsequently acquired soda fountain and fixtures, the sale must be held to be absolute. The petitioner never had title or possession to this property and cannot therefore be considered as a vendor of these articles. As to the old soda fountain and fixtures, there is no sufficient description to meet the requirements of Section 4697, Conn. Gen. Stats., Revision of 1930, that the property sold be described. Report of the Special Master affirmed. *Matter of Lathrop Pharmacy, Inc.* U. S. Dist. Ct., Dist. of Conn. Decided April 4, 1933.

DEED OF TRUST. VOIDABLE PREFERENCE. REQUIREMENT OF RECORDING. DELIVERY. (N. C.) Higdon and Franks filed a petition in the matter of Cunningham, a bankrupt, asking that a deed of trust on a stock of goods, executed by the bankrupt for their benefit, be enforced as a prior lien on the property described therein. The bankrupt bought the stock of goods from one Porter, giving his promissory notes, endorsed as an accommodation by Higdon and Franks. In order to secure the endorsers from loss, he agreed to execute and record a deed of trust on the goods. The District Judge held that the transaction involved a voidable preference and dismissed the petition of the endorsers. The District Court based its decision on the circumstance that the deed was not recorded until December 12, 1930, within four months of the filing of the petition in bankruptcy.

Held that the decisions of the Supreme Court of North Carolina interpreting Sec. 3311, Consol. Stats. of N. C., clearly hold that an unrecorded mortgage or deed of trust is valid under this section as between the parties and as against general creditors, unless the claims of the general creditors have become fastened upon the property, as by insolvency or bankruptcy proceedings, before the recording takes place. Only general creditors are here concerned. It follows that the recording of the transfer was not required by the North Carolina law in the sense in which that word is used in Section 60 (b). The deed of trust, however, created a voidable preference under Section 60 of the Act quite apart from the provisions of that section in regard to registration, for it did not become effective as a conveyance or transfer at all until it was recorded on December 12, 1930, within four months of the filing of the petition in bankruptcy. There is no direct evidence that the deed was actually signed on February 12, 1930, the date appearing on its face, but if it was signed on that date, it still remained within the grantor's exclusive control until it was left with the clerk for record. The result is that the transfer did not take effect until the four months had started to run and the grantor had become insolvent to the knowledge of the grantee. Judgment affirmed. *Higdon et al. v. Jones et al.* U. S. C. C. A., 4th Cir. (N. C.) Decided April 4, 1933. Requisition No. 87700.

PREVIOUS GENERAL ASSIGNMENT FOR BENEFIT OF CREDITORS. RIGHT OF ASSIGNEE AND ATTORNEYS TO COMPENSATION FOR SERVICES. (N. Y.) The bankrupt, Charles Cohen, made a general assignment for the benefit of creditors shortly before the filing of the petition upon which he was adjudicated bankrupt. From an order denying the assignee and his attorneys compensation for services rendered by them prior to adjudication, they have appealed. The referee in bankruptcy denied the appellants compensation for the services on the ground that the assignee had not strictly complied with the provisions of the New York Debtor and Creditor Law up to the time when the court of bankruptcy took over administration of the

estate, and his report was confirmed by the district court without opinion. Section 4 of the Debtor and Creditor Law requires an inventory of the estate of the assignor to be filed with the County Clerk of the County where the assignment is recorded, and provides that in the event of the failure of the assignor to file such inventory within twenty days the assignee shall file one "in so far as he can" within ten days thereafter. In the case at bar, the assignment was made on September 24, 1930, the petition in bankruptcy was filed October 1st, and adjudication was entered on October 16th. Therefore before the expiration of the time allowed by the state statute for filing the inventory, the assignment had been avoided and the state court divested of jurisdiction.

Held that the court, therefore, fails to see even a technical non-compliance with the state statute. But if there had been, it is not apparent why it should forfeit the assignee's claim, if he would otherwise be entitled to compensation. After the bankruptcy court has assumed jurisdiction, the assignee must account to it, and his compensation does not depend upon the state law or arise out of the assignment, but rests upon the equitable principle that services which have been beneficial to the fund brought into the bankruptcy court should be compensated out of the fund so benefited. *Randolph v. Scruggs*, 190 U. S. 533, 539. It appears that after petition filed and before adjudication the assignee made a sale of the property pursuant to an order of the state court entered on September 26, 1930. The proceeds of such sale, less expenses, he voluntarily turned over to the trustee in bankruptcy. The referee has approved the assignee's accounting, and expresses the belief that the proceeds of the sale are equal to what would have been realized by administering the assets in bankruptcy. No receiver in bankruptcy was appointed and no one apparently has questioned the validity of the sale. Most, if not all, of the assignee's services which could be considered beneficial to the fund brought into the bankruptcy court were rendered after the petition in bankruptcy was filed. While the question is not free from doubt, the court holds that beneficial services performed after petition filed may be compensated upon the principles announced in *Randolph v. Scruggs*. Whether any compensation, and, if so, how much, shall be allowed the assignee, the court leaves to the court below to determine in accordance with those principles. The claim of the assignee's attorneys must be worked out through the assignee and can be put no higher than his claim for allowances if he had paid his attorneys for their services. As to their appearance in the bankruptcy court after adjudication in opposition to a reclamation claim for goods sold to the bankrupt by the reclamation claimant, such services were obviously not performed under employment by the assignee. The attorneys must base their claim upon some provision of the bankruptcy act. Order reversed and cause remanded for further proceedings in conformity with this opinion. *Matter of Cohen*. U. S. C. C. A., 2nd Cir. (N. Y.) Decided April 3, 1933. Requisition No. 87673.

"Show me first your penny"

A customer sent the following note to his grocer:

"Please send six dozen eggs; if good, I will send check."

The grocer, however, was not doing any business on such risky terms, so he replied:

"Send check; if good, I will send six dozen eggs."

—The Certified Public Accountant

"That Columbia crowd"

(Cont. from p. 17) directed toward finding a solution to this problem. A very practical and successful business man I know, and a strong adherent of association and trade group work, is an evangelist on this very idea. In the credit field we know that one of the greatest problems is to secure the same efficiency in credit cooperation between various groups as exists within specific groups. Has business anything to fear from a man who is seeking to accomplish these ends without disrupting American individualism and initiative?

It is an absolute myth that Mr. Tugwell has any pet ideas about "Sovietizing" American business and industry. He has been in Russia and studied conditions there at first hand. He sees our problems from an entirely different angle and his official acts bear out this contention. If a man's fundamental principles are right we have little to fear from his acts and methods. He may make mistakes, but invariably mistakes of this kind are the ones most easily corrected.

It is Mr. A. A. Berle, Jr., now an adviser to the Reconstruction Finance Corporation and a Columbia Professor, who completes the "brain trust" triumvirate. Because of the popular assumption that he isn't as close to the President as Mr. Moley and Mr. Tugwell, he has suffered less at the hands of critics.

Mr. Berle is recognized by many leading members of the Bar as a brilliant and distinguished lawyer. His theoretical and practical training exceeds that of many of our leading Congressmen. Mr. Berle might be called an economist-lawyer. Few men today have studied as intimately as he the intricacies of our corporate and capitalistic system. Since 1928, under the auspices of the Social Science Research Council of America, he has been analyzing modern corporations and their relationship to private property. Mr. Berle has had the fortunate opportunity to pursue this special study of the modern corporation in all of its aspects and functions during the boom period of 1928 and 1929 and through the following three years of depression. No five years in economic history have ever offered such an unusual opportunity for a clinical study of the corporation. The facts and conclusions of this work have been embodied in a book "The Modern Corporation and Private Property", acclaimed by business executives, lawyers, financiers and economists as one of the

Tribute

"The National Association of Credit Men, of which Mr. Henry H. Heimann is Executive Manager, although not strictly a trade association, deserves recognition for its work in effecting co-ordination of efforts among local credit units, in showing business how to use the credit department as a business builder, and in benefitting the public at large by fostering the greater development of credit organization and credit services which affect substantial savings and build additional profits, thus stabilizing our credit structure, decreasing unemployment, etc." (May 3, 1933)

—Hon. Daniel C. Roper,
Secretary of Commerce.

soundest treatises of its kind ever written.

In this book and other writings of Mr. Berle's I find no evidence that he favors an advanced form of collectivism. Quite the contrary, he is an energetic exponent of a "thoroughly responsible, organized business community" in which it is not necessary that "either there be a collectivized state, or government intervention to reach the goal . . . of a unified, controlled, sensible operation of the system". He believes that you "can get it by simply having group after group of men who operate the system realize that their first job is to make the system work; and if this involves their working together instead of working at cross purposes, then work together they must".

The words in quotes are Mr. Berle's. Space precludes an analysis of how he thinks these ends can be accomplished. But this is enough evidence to delineate the fundamental principles for which he stands. Like Tugwell, he believes that business groups must work together just as business units within specific groups have worked together. And this is precisely the same solution that the National Association of Credit Men, the U. S. Chamber of Commerce and other great cooperative organizations are seeking to find.

Honest consideration of such facts gives an entirely different picture of the President's "brain trust". It is a picture that every fair-minded business

man should keep in mind. According to a considerable amount of prevalent public opinion, if Mr. Moley, Mr. Tugwell and Mr. Berle fail in any way, it will be because they are professors; if they succeed it will be in spite of the fact that they are professors!

It is true that our universities and colleges are full of theorists and academicians. But these are not the men, with a few possible exceptions, who are called into positions of major importance and responsibility. The professors who are selected have proved their qualifications and abilities. All available data seems to indicate that Professors Moley, Tugwell and Berle belong in this latter classification.

The President, by his selection of these men, has not struck out boldly into dangerous and unexplored fields of experimentation. Great banks and industrial organizations have taken their chief economic advisers from professional ranks. And many of these organizations today wish they had heeded the warnings so clearly set forth by their so-called academic advisers.

One of today's most successful state governors, who had never held a public office before his gubernatorial nomination, became chief executive of his state after a life spent in the cloistered pursuits of higher education. An American college professor has given eminently successful service as a financial adviser to over a dozen foreign governments. Historical perspective shows that the furore created when Woodrow Wilson, a college professor, became president was wholly unjustified. And such comparisons and citations might be continued for several pages.

It is certainly high time for business men to relegate their traditional thinking to the limbo of forgotten fictions and not disparage or condemn a man only because he is a college professor. We are on just as safe ground if we give the same support to a practical professor as we give to a practical politician.

Any of us may disagree with Moley, Tugwell and Berle but let's do it on a basis of logic rather than prejudice. The President has made them his economic advisers. But he has gone a step farther. These men are executives and administrators as well—their job is to "act" as well as "advise". The near future will tell us how well they do their jobs. Then will be the time for us to pass judgment upon "that Columbia crowd".



BECAUSE

EVERY Collection-Adjustment unit is owned and operated by its members—for service, not for profit — thus insuring maximum return at minimum cost.

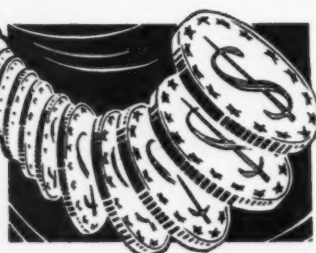
COLLECTION is effected by bonded men—skilled specialists—of the finest type to be found anywhere in the national collection field.

ADJUSTMENT is not influenced by selfish interests — the one aim of creditor-owned bureaus is to increase the return to creditors.

UNIT consolidation through the National Office throws behind each separate bureau the tremendous moral force of the entire National Association of Credit Men.

SPEEDS: the dispatch of both collection and remittance must be held at highest levels to insure successful handling of the largest volume of business in the field.

EFFECTIVE national service is insured by the largest number of units — claimed and actually operating—in the key cities of the United States.



TURNOVER: effective turnover! — the collection of profit for reinvestment in subsequent profitable turnover — primary requisite to all successful business is speeded by . . .

**Collection-Adjustment
Bureaus Department
NATIONAL ASSOCIATION
OF CREDIT MEN**

One Park Avenue,

New York, N. Y.